TRANSPORT AND RESOURCES COMMITTEE

Members present:
Ms MF McMahon MP—Acting Chair
Mr PT Weir MP
Mr BW Head MP
Ms PE Pease MP
Mr LA Walker MP
Mr TJ Watts MP

Staff present:
Ms M Telford—Committee Secretary
Mr Z Dadic—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO THE LAND AND OTHER LEGISLATION AMENDMENT BILL (NO. 2) 2023

TRANSCRIPT OF PROCEEDINGS

Monday, 12 February 2024

Brisbane

MONDAY, 12 FEBRUARY 2024

The committee met at 10.00 am.

ACTING CHAIR: Good morning. I declare open the public hearing for the committee's inquiry into the Land and Other Legislation Amendment Bill (No. 2) 2023. My name is Melissa McMahon, member for Macalister and acting chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander peoples, whose lands, winds and waters we all share. Other committee members with me here today are: Pat Weir, member for Condamine and acting deputy chair, who is substituting for Lachlan Millar, member for Gregory; Bryson Head, member for Callide; Joan Pease, member for Lytton; Les Walker, member for Mundingburra; and Trevor Watts, member for Toowoomba North.

This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee. These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and my direction at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages.

BARGER, Mr Andrew, Policy Director—Economics, Queensland Resources Council

BERTRAM, Ms Judy, Acting Chief Executive Officer, Queensland Resources Council

DUGUID, Ms Nicole, Policy Director—Resources, Community and QEC, Queensland Resources Council

ACTING CHAIR: Welcome. I invite you to make a short opening statement, after which committee members will have some questions for you.

Ms Bertram: Thank you very much. The QRC thanks the committee for the opportunity to speak to our submission. The Queensland Resources Council is the peak body for Queensland's mineral and energy sector. The resources industry is a key driver of the Queensland economy and one of the state's largest export earners. In 2022-23 the Queensland government received $18.1 billion in royalties alone from the resources sector, with a total of $116.8 billion contributed to the Queensland economy.

The QRC supports the position that industry should pay reasonable local government rates and charges. Unfortunately, the resources industry has been subject to excessive increases in local government rates and charges which impact the operations of companies. Therefore, industry is calling for greater scrutiny, transparency and predictability in the local government rating system. The QRC understands the intention of the Land and Other Legislation Amendment Bill, which is seeking to harmonise resources legislation across various acts. Prior to considering the proposed legislative amendments, the QRC recommends that the state government review the local government rating framework and consult with key stakeholders to develop a fair, sustainable and equitable rating system that allows industry to grow while supporting local governments to deliver regional sustainability outcomes; mandate the *Guideline on equity and fairness in rating for Queensland local governments* to ensure local governments are upholding the principles within the guideline; and develop and deliver an education package that complements the mandating of the guideline to ensure local governments are aware of their obligations for fair and transparent local government rating processes.

In terms of industry concerns, over the years the QRC has raised industry concerns about the transparency and predictability of Queensland's local government rating practices, including local governments not upholding the principles of equity, fairness and predictability outlined in the guideline. There is uncertainty in the local government rating process and a lack of consultation between local governments and industry. There is no legislative objection and appeal process once a rates notice is issued and absence of a dispute resolution process. There is a lack of transparency and fairness in the rating system, including unreasonable increases without justification. Overall, investment capital is fast becoming scarce and some producers are struggling to pay rates that have exponentially increased in recent years. I will provide some examples that demonstrate some of the real issues facing the industry.

For some companies, the payment of local government rates can constitute approximately 14 per cent of total annual operating expenditure, and that is for one project area alone. In relation to the unreasonable increase in local government rates over consecutive years, one producer experienced an increase from $25,000 to $336,000, and that was in one year alone. The predictability of rate rises remains an issue. In the three years from the financial year 2021 to the financial year 2024, some major increases include one council increasing its average petroleum local government rates by 743 per cent—and that is per dollar—and two councils increasing their average minimum charge for workforce accommodation by 353 per cent and 164 per cent. We provide these statistics to demonstrate the significant increases in rates that industry can be subject to without consultation and without a fair and transparent, modern regulatory framework in place.

The resources sector is a strong supporter of regional communities and we have been a longstanding partner adding to the diversity and longevity of regional economies. We want to see regional Queensland grow and prosper. The QRC appreciates the vital role local governments play in Queensland and recognises the importance of their financial sustainability to regional economic prosperity. Indeed, our industries have a vested interest in ensuring that local governments, particularly those in regional Queensland, thrive. It is vital for our workforces and industries that local governments can deliver the essential services our regional communities rely on. Both the resources sector and local government sustainability are critical for Queensland's prosperity. We call upon the committee to consider mandating the *Guideline on equity and fairness in rating for Queensland local governments* as part of a more holistic regulatory reform package. We welcome your questions.

ACTING CHAIR: Thank you very much for that statement.

Mr WEIR: You made some comments there about significant increases. Are you talking largely around petroleum and gas areas, or are you talking other minerals?

Ms Bertram: We are talking across the board.

Mr WEIR: Are those increases as a result of a larger footprint or an increase in activity by that resource holder? Why would you get an increase from $25,000 to $300,000? You would think your footprint has increased.

Ms Duguid: No, that is the same from year on to year out. The footprint has not changed for that particular example.

Ms Bertram: That is why we are saying that we need transparency around why the rates have increased, and that is what we are not getting.

Mr WEIR: You are saying that you do not have a right of appeal?

Ms Bertram: No. Unlike most other jurisdictions, there is no appeal. There is no review process.

Mr WEIR: Has this only happened in recent times, or is this something that has been happening over a long period of time?

Ms Bertram: We have certainly been raising these issues for more than a decade and there have been submissions and processes and the creation of the guideline, but the issue remains problematic. Andrew has been involved for many years.

Mr Barger: Yes. The issue around the way local government rates are set and the lack of transparency has been an issue for 15, 20 years. In part, the development of the 2015 guideline was in response to the sticker shock from some of the CSG projects when they saw some of the volatility in the rates notices and, as you say, dramatic changes in the level of rates that were being charged whilst not necessarily changing the footprint or the activity or the services that were being provided in return for those rates.

In some ways it is an accident of history. Local governments' ability to levy rates has not really been revisited or restructured in probably the last two decades and during that time, as you will hear from the LGAQ following us, there has been a systematic underfunding of local governments, so their ability to raise revenue has been sharply attenuated at a time when the demands on local governments have been growing. It is not surprising that if you have an avenue of revenue as a local government, with very little scrutiny or appeal, that does not necessarily affect a large pool of voters in your local government area, that looks like an appealing way to balance your budget.

Mr WEIR: Yes, because a part of the landscape is that these resource activities are often in regional council areas that have a limited revenue base, so you believe that you are seen as an easier target?

Ms Bertram: Yes.

Mr Barger: You can imagine what would happen in a local government area where the council announced that everyone's rates were going up 300 per cent with very little notice. They would be voted out. There would be an uproar. The fact is that you can target these rate increases to very specific activities, and part of the complexity in it is that there is no consistency between the same sort of sized mining lease or petroleum lease between different local government areas. It is sort of close to absolute discretion for the local governments in setting these rates.

Mr WEIR: So you are saying that these increases are not tied to an increase in council's obligation to service that resource industry?

Ms Bertram: No.

Mr Barger: There is no transparency, so it is not the case that suddenly your rates go up because you need a new road to get infrastructure into your site, for example. There is not that cause-and-effect flow with the rates, no.

Mr WATTS: Do you have a quantum across Queensland over the last five years of how much revenue has been raised for local government by this collection method?

Ms Bertram: No. We would not have that transparency, I guess.

Mr Barger: We did some work a couple of years ago, so it would not be the last five years. It is probably a five-year block that has been sitting on the shelf for a couple of years, so we could pull that out. That is useful, because it shows you the volatility in the way the rates jump around from year to year and it will also give you a sense of that quantum.

Mr WATTS: I guess that is what I am interested in—that is, what are we actually talking about in terms of, firstly, stability and, secondly, whether it is going up by what percentage across the state.

Mr Barger: With regard to the most extreme examples, in some of the far western council areas, where they do not have a big population base, the rates from resources can be over 50 per cent of their revenue base, so it is certainly a substantial source of revenue, but that is not typical across the state.

Mr WATTS: Thank you.

Mr WALKER: I heard you say, Judy, that $18.1 billion in royalties were paid. Is that this year or the last financial year?

Ms Bertram: This is in 2022-23.

Mr WALKER: What were the profits compared to those royalties?

Ms Bertram: I guess that would vary.

Mr WALKER: If you have a figure for the royalties, out of what bucket of profits is it from the mining sector and the resources sector?

Mr Barger: The royalties are paid on sales rather than profits, so the profits depend. A lot of companies are not purely Queensland coal producers, so they will have a whole mix of portfolios so their profits—

Mr WALKER: Sorry, but is the $18.1 billion coal or is it all of the resources?

Mr Barger: That is all resources, yes.

Mr WALKER: So you do not have a profit?

Mr Barger: We do not collect profit, no, because the royalties are calculated on sales.

Mr WALKER: In relation to the councils and their rate base, does mining have any impact on their road infrastructure going into those areas? Some of those roads are council owned roads and they are quite large and it is over a couple of million dollars a kilometre to repair some of those roads, so do you have any impact on any of their infrastructure?

Mr Barger: That is a great question. You are right: in some cases, there are significant impacts on local government roads. I guess the point of your question is that that is not picked up through rates. There is a process of forming what is called a road user agreement. There is a certain amount of activity that triggers that review. Then there is an agreement where the council effectively says, 'We can provide this road of the standard you need for this cost,' but the company can then get their own quote or look at doing the work themselves. Usually, the cheapest and best way of doing that is to integrate it into the local government's road building and maintenance, so there is a payment made to local governments outside the rates so that the impact from using the road—building, maintaining and servicing the road—is quarantined from the rates base.

Mr WALKER: Do all miners pay royalties?

Mr Barger: Not under all circumstances. As we were saying, the royalty rate is based on sales. In some case—

Mr WALKER: My question is: do all mines pay royalties?

Mr Barger: Sorry: if a royalty bill is triggered, do they pay it?

Mr WALKER: Yes. Does anybody get an exemption on royalties?

Mr Barger: Broadly speaking, no. There are some heads of power in the resource acts that allow the state government to offer a royalty holiday for a period—three or four years—but the royalty is still calculated and accrues, so it is more like a loan than a forgiving of royalties. For the most part, the rates are ad valorem. They are a simple fixed rate.

Mr WALKER: Some do get a holiday period?

Mr Barger: Some do, but that is—

Mr WALKER: They get a relaxation. The only reason I ask is that local government do not get a holiday period in relation to their builds. I am wondering how they survive if there is not that flexibility. We know that the cost of living is up and fees and charges are up. I want to know if all of the mines are paying their royalties on an annual basis or if there is any relaxation.

Mr Barger: Very little. It would be a vanishingly small percentage, well to the right of the decimal point. In that $18.1 billion, there might have been less than half a million dollars or something.

Mr WALKER: So there is some?

Mr Barger: There would be some, but it is not common.

Ms PEASE: I want to talk about the rates issue and the transparency around that. Can you give me any figures around the outstanding debts of your producers which relate to rates? You have said that many of them are struggling to pay those debts. Do you have a figure of rates that are outstanding and where and the impact it is having on the LGAs?

Ms Bertram: I think that would be a question for councils. We maintain that our members should pay their rates. Our issue is around transparency and predictability and, certainly, the hikes in the rates.

Ms PEASE: In what sorts of areas are your producers mainly having difficulty with the local government increases?

Ms Bertram: Certainly in terms of the companies, it is more the juniors.

Ms PEASE: Could you explain what you mean by 'juniors'?

Ms Bertram: The smaller end of the company size.

Ms PEASE: They are having difficulty and they have approached you with their inability to pay the rates?

Ms Bertram: We have heard from a number of members. Certainly, the juniors express concern in terms of their ability to pay—many of the producers are starting out—but it goes across the whole breadth of company size and across different commodities, from gas to coal. I think some of the increases having quite dramatic, and that affects all companies. Some may have a greater ability to pay because of the size and history of the company, but the fact that the rates have gone up so much across the board, across many councils, is an issue that we are hearing about from our members.

Ms PEASE: What percentage of your members have come to you with regard to this matter?

Ms Duguid: We have quite a number of members that have come to us. We have a small working group. As Judy said, they come from the small producers to the very significant, larger producers—from coal and gas. There are a number of companies that have had issues, particularly in that area of transparency and the predictability of the rating system.

ACTING CHAIR: If you have member companies that are approaching you about this issue of exponential rate rises, do you have any data—deidentified if necessary—to show an example of a couple of companies and what their rates have looked like over a period of time? Do you have any cases in point that you would be able to provide us?

Mr Barger: The report that we talked about earlier—

ACTING CHAIR: From a couple of years back, yes.

Mr Barger:—will give you a sense of the flow and the volatility at a company-by-company level. You are right: there are some commercial sensitivities with some of the companies.

ACTING CHAIR: Given that you said there is a working group that is currently looking at that. This is a current and live issue, and any data from five years ago is a bit out of date. If you have current working groups and you are working with a couple of companies, is it possible to provide some deidentified data, tables or anything that shows what that might look like for your smaller, middle and high-end companies?

Ms Bertram: The examples that were included in the opening address are real examples as well.

ACTING CHAIR: I saw the increase from 25 to 336. Was that over one year or a couple of years?

Ms Bertram: That is one year.

ACTING CHAIR: It sounds quite egregious but, again, if there are a couple of different examples rather than just one—I would hate to make legislation based on one example. Is there anything you could provide us from your working group?

Ms Bertram: We will certainly endeavour to get information to you. As Andrew said, this issue has been going on for 15 to 20 years. It is not a new issue.

ACTING CHAIR: I understand.

Mr Barger: To answer the member for Lytton's question, the issue of volatility and lack of transparency in rates has been afoot for 15 to 20 years. It is only fairly recently that we have had councils coming to us saying that companies are struggling to pay the rates, that they are in arrears or that they have a payment plan. In a way, I think it has come to head in the last couple of years. That is probably why the legislation has been brought to the House.

Ms PEASE: That is right. That is why I was asking the question.

Mr WEIR: We have just been away for a week talking about renewable energy projects and we have been hearing about the burden that is being put on local government by these projects through infrastructure, upgrades and work camps. I was wondering if that could be included, because if a work camp is being established that is a cost for council. If that could be included in your report, that would be good.

Mr Barger: The report that we have at the moment probably predates a lot of the work in renewables, but you are right about the issue of ratings. One of the things that is unusual about ratings is that you can get multiple rates bills on the same block of land. The landholder might be a pastoralist and they will get a bill at that level. If there is a mining lease on the corner of it, that will be rated at a very different rate. Then, as you say, if there is a transmission line running across or a renewable project going in, there will be a third level of rates. There is this kind of accrual of activities on the same parcel of land which are all being assessed and rated at very different levels.

The issue of work camps is a bit more complicated, because it is subject to an approval. The local government will generally have oversight of that. That triggers the issue the member for Mundingburra was asking about in relation to approvals. A work camp is a good example, because you will probably have a big increase in traffic. There will be road use, perhaps sewerage and perhaps power impacts. In many of the resource act regions they have a special rating category for work camps, and it is often tiered based around the size of them. It steps up as the work camp grows.

Mr HEAD: Paying council rates and other taxes is one thing. In addition to that, you might have to pay to upgrade a particular road and then still pay significant rates on top of that. Could you speak to that in terms of the local spend you might have in a community that could necessarily be covered by rates but you are also paying in addition?

Ms Bertram: There are obviously many demands on the industry. If you go back to the establishment of the operation, you go through an environmental impact statement. The cost of the demand on roads, the need to create new roads, workers' accommodation camps—a whole range of things—are already brought into the project approval. Once you are in operation, obviously the rates are imposed and, as Andrew said, there are transport issues as well. There are many ongoing costs being imposed on the companies.

Mr HEAD: You are paying your rates and you have paid for road upgrades prior to or in the process of being operational. A lot of companies put a lot of money back into local communities as well. I am curious: does what the companies are paying on rates impact what they can justify spending locally in other ways in the community?

Ms Bertram: We recognise that local governments need to be resourced. We are but one player in the provision of those rates and we want to make sure it is a fair system of rates that we pay.

Mr Barger: To go back to the point about the royalties, in the same year that the industry paid the state government $18.1 billion it spent in buying goods and services in Queensland—mainly in regional Queensland—a touch over $24 billion. There is a big spend that goes back into the community, and a lot of the companies work quite hard to try to create those opportunities locally.

In terms of the contest for community engagement—is rate money robbing the bucket that was designated for the community?—the issue is more one of budgeting timing. The example we have in the paper is where you have budgeted $25,000 for rates and a $335,000 bill turns up. You have to find that money from somewhere in the short-term. It does create pressures in the short-term, but I do not think in the long-term planning horizon the thought of 'We already gave at the office by paying our rates bill so we are now going to see substandard services being delivered in our host communities' is a conversation that the industry has with itself.

One of the very real problems with the volatility of rates is the ability for your category to be reclassified or a new rate applied. It makes it very hard to balance your budget. As Judy was saying, particularly for the new operations where they are just starting to come into production—they are just getting a cash flow—a big nasty bill shock is not necessarily what they are looking for.

Ms PEASE: Given that you were able to provide some figures around the royalties and the amount of money that has been spent on goods and services in the communities that you engage in, do you have any idea of the rates expenditure of your membership?

Mr Barger: Unfortunately not. We collect a catch-all category of revenue which is paid to state and local governments. To the question from the member for Mundingburra, the problem is that, unless it is very clearly eartagged as rates, those payments made for roads or for sewerage upgrades tend to all get bundled in, so you end up with a number but you are not confident that it is a rates figure. We do, but I would hesitate to present it as balanced or representative. There are a lot of other spends measured in there as well.

Ms PEASE: I am just a bit unclear, because you are saying that there has been a big increase in rates. Is there not some understanding as to what that rates figure might be, separate from those different expenditures?

Mr Barger: It is easy to do at a site level, because you have a rates bill and you have paid it. Trying to aggregate that up across the state across all commodities gets very complicated and messy, particularly because some of the rates schemes are not levied on a like-for-like basis. It is not as simple as: 'Here's the rate for a petroleum lease.' There will be tiers of rates, so the calculations actually get quite complicated.

Ms PEASE: Is one of the reasons you have this working group at the moment so that you can determine what it looks like and what it is?

Mr Barger: To try to draw out some of the detail and, I think, also because what we have seen is that some of the councils have been very proactive in terms of coming to us to say, 'We're seeing people struggle to pay these rates. What can we do to try to smooth out the revenue flow? Is there something we can do to try to ease the burden on the ratepayers?' There has been some constructive engagement through that working group.

Mr WATTS: This is a little out of left field. With the transparency being a little opaque and the consistency not being there, could you speak to what level of corruption risk there could potentially be? These are big chunks of money that are being moved around. If there is no transparency and there is no consistency, how do we know how these decisions are being made?

ACTING CHAIR: I will caution you. You are being asked a hypothetical, opinion type question so feel free to answer that as cautiously as you like. The question is about risk.

Ms Bertram: I guess we would hope that appropriate procedures are implemented in local government authorities to receive money and to identify that payment and the basis of that payment. I do not really know—

Mr WATTS: It seems to me that if there were some consistent basis and some mechanism to manage it then it would remove any potential. Ultimately, a number of people sitting around a table are voted in and it seems to me that there is a potential risk that could easily be managed.

Mr Barger: Certainly I have never had any sense from members that there is a concern around that. I think perhaps they would almost say that the pennies are being pinched so tightly in local government that there is little scope, and because they are so skint they need every sniff of the oily rag so that they can keep the wheels turning. The other thing is that the lack of transparency and the opacity of the process is in setting the rates, determining them and applying them and the lack of ability to appeal that. Once the rates are paid, the LGAQ does a good job of providing services so that even small councils have quite sophisticated financial systems and reporting systems in place. Acknowledging that it is a hypothetical question, I have never heard any concern expressed about that risk.

ACTING CHAIR: Thank you very much for your time here this morning, for your submission and for answering our questions. One question was taken on notice. I will ask the secretariat to contact you about answering that. The answer will be due by 12 pm next Monday, 19 February.

BAKER, Ms Crystal, Manager, Strategic Policy and Advocate, Local Government Association of Queensland

HANCOCK, Mr Justin, Chief Executive Officer, Quilpie Shire Council (via teleconference)

PITT, Mr Mark, Chief Executive Officer, South Burnett Regional Council

SMITH, Ms Alison, Chief Executive Officer, Local Government Association of Queensland

ACTING CHAIR: Good morning. I believe we will soon be joined by Evan Pardon, the Chief Executive Officer of the Rockhampton Regional Council. I invite you to make a short opening statement of two to three minutes, after which time committee members will have some questions for you.

Ms Smith: Thank you very much for inviting the LGAQ to participate in this hearing today. Firstly, I acknowledge the traditional owners of the land on which we meet and pay my respects to elders past, present and emerging. Regrettably, Evan Pardon from Rockhampton is a late apology for this morning.

As you know, the LGAQ is the peak body for all councils across Queensland. All 77 are members. We have been supporting, advocating and providing advice to our members since 1896. The reason we have two council CEOs with us this morning is because of how important and relevant this bill is for councils. We thought you would benefit from having that extra flavour and lived experience.

As we have outlined in our written submission, the bill represents an important step forward in modernising the legislative framework across a number of priorities for Queensland councils. We really appreciate to date the level of consultation that we have been having with the Department of Resources. They have been engaging with the LGAQ and our council members for quite some time on these proposed reforms. Two examples are that we have been working in a placenames working group, set up last year, and we partnered with the department to deliver a webinar for council members in January to talk about these proposed amendments. Many of the amendments contained in the bill really positively advance what councils have been asking for for years now, including some resolutions passed as recently as at our 2023 annual conference in Gladstone last year.

In this opening statement I would like to make two main points. The first one is that the LGAQ supports the proposed amendments that will mandate any existing and future resource authority to pay applicable local government rates and charges. We support this because we believe that it will enable more consistent compliance and regulation across the resources acts. It will also achieve a fairer outcome for councils, and our council CEOs will be able to speak to that later today. When councils earn around three cents in every dollar of tax that we all pay—80 cents going to the federal government and the remainder going to the state—councils really need this amendment so that it is fair for their communities and the services they can deliver. The second point is that the LGAQ welcomes the proposed reforms to streamline existing processes for local government trustees under the Land Act.

We would like to see close consultation and engagement continue through this process to ensure these reforms will be successful and workable. We have identified some gaps within the current reforms and some opportunities for further amendments, which is why we would like to see ongoing consultation to enable that continuous improvement. It is important, because under the current arrangements there are occasions where councils have had long delays and increased costs to deliver essential infrastructure or respond to community needs, and this has come about because of unnecessary regulatory restrictions on sensible and practical land dealings. As you know, councils are significant stakeholders in the administration of state land. They are statutory, trustee, financial management and they have liability responsibilities for over 20,000 parcels of state land on various tenures. Our CEOs joining us today can speak further to this.

In closing, we are pleased to see these changes in the bill which aim to provide clarity and responsiveness in relation to place naming and the changing of critical placenames. Ongoing consultation with the LGAQ and our councils is something that will be important going forward, as well as funding to councils to implement placename changes as and when they are made. That concludes my opening statement and I look forward to your questions.

ACTING CHAIR: Mr Hancock, we have you on the line. Do you want to make an opening statement about your council's experience and feedback on the bill?

Mr Hancock: Most definitely, thank you. I would start off by saying that the Quilpie Shire Council recognises that it is a resources council. Resources are a big part of our shire and we are very supportive of the resources sector. In recent times it has been identified that there are a few minority operators that essentially are not good corporate citizens and are not doing their due diligence by paying their rates. We are suffering from that at the moment firsthand.

We have seen, in one instance, an operator that was paying their rates up until 2020. However, at that time they started negotiations with regard to converting a number of leases from exploration over to production—that occurred in 2021—which has seen an increase of 27 per cent in rateable land come online. As the local government we are required to raise levies against that rateable land. Council was not aware at the time that those negotiations were ongoing, and once they came online we were required to rate. Since that time we have not received payments towards the rates, and that has significantly increased. Our projections at the moment show that the outstanding rates as at 30 June 2024 will be in excess of $6.3 million, which is roughly 90 per cent of our total budgeted general rates revenue for the 2023-24 period. In the meantime, council has spent other ratepayer money trying to work with this single operator to develop a deferral arrangement plan and has sent multiple follow-up emails that have been unanswered to try to get the company to enter into a long-term payment arrangement in order to service the outstanding debt.

Unfortunately, what has been discovered is that, while in other circumstances where households have not paid their rates there are mechanisms to essentially sell and recover the rates, at the moment council does not have an opportunity to sell leases when they are unpaid. They are returned to the state, which leaves council basically without an ability to recover any outstanding rates at all. As you could appreciate, councils are reliant on any rates revenue we can get to make sure we can provide for our communities. Without recovering that much needed revenue as we had forecast, it is a significant hit to our budget and also to the services we can provide to our community.

Mr WEIR: The previous submitter identified some large increases. What is your view of that? We just heard about the example from Quilpie. I know that Quilpie has a range of resources activities and is very much reliant on the resources sector, so I was very interested in those comments. I would like to hear how you respond to the comments made by the previous submitter.

Ms Smith: I would start by saying how important the resources sector is to Queensland. It is a hugely significant employer and a hugely significant contributor to the state's economy and, indeed, nationally. In relation to some of the comments that have been made, however, we would contend that without the amendments that these proposed reforms will have what you will see continuing is a free ride for the rogue mining companies that are doing the wrong thing by their communities. As has already been pointed out, the majority of the sector is doing the right thing. They want to be good corporate citizens. They are actually paying their rates on time and contributing to the welfare and the wellbeing of their communities which are hosting them for their operations.

It is the case, however, that when you have those circumstances such as the CEO from Quilpie has pointed out is happening in his shire, ultimately that becomes a cost shift to those councils to carry, which means that it impacts negatively on the services they can deliver to their communities. The communities will be the loser if people are doing the wrong thing. Fair is fair, and residents rightfully expect people to be good corporate citizens in their communities. This morning the QRC spoke about equity and fairness and they spoke about the ability for communities to grow, thrive and prosper. We wholeheartedly agree with them in that sentiment. It is just that equity and fairness should apply to everyone and not have some companies think they can have a free pass and not pay when that non-payment is going to adversely impact the community's livability.

Mr WEIR: I do not know the specifics of the case that the CEO of Quilpie was talking about. It sounds a little bit like banking to me. You suggested a local government advisory panel. Would you see a panel such as what you are suggesting, including the concerns of the resource sector in future rate rises and how they are structured and modelled?

Ms Smith: The reason we like the idea of a local government advisory panel and why we recommended it in our submission is that the changes proposed are pretty broad. They are pretty complex, and we think there are further opportunities to improve the amendments of what are proposed in the bill. Our recommendation was essentially to have a panel like this that could have detailed engagement. They could help to consult with councils to develop and implement subordinate legislation, funding, guidance materials, policies and instruments to support the Land Act amendment. It is not a local government advisory panel that would have a role in relation to rates, because. as the CEO of Quilpie has talked about, there is a requirement on individual councils when it comes to rates.

I would like to brief the committee here that in the previous financial year, 2022-23, the average rates increase across the state was 4.43 per cent. This is a level that is below inflation. It was also less than the average input costs that councils incurred. The input costs to councils were actually 6.7 per cent. Councils will always try to be reasonable and fair in how they apply ratings, and it is always done publicly—it is done in budget meetings; it is there on the public record and people are able to see it—so there is no suggestion that there is a lack of scrutiny in terms of how councils are setting their rates.

ACTING CHAIR: The previous witnesses gave evidence that in one particular case a rates bill went from $25,000 to $336,000. Maths is not my strong point, but it is clearly well above some kind of state average. What kind of consideration, from a council point of view, would justify that larger increase in rates from one year to the next?

Ms Smith: Certainly councils have a range of things that they must consider individually in terms of setting their rates. I might hand it to our CEO from South Burnett to give you a lived example.

Mr Pitt: Thank you very much for the opportunity. It is very hard with those sorts of statistics to work out. South Burnett has Meandu Mine coal, we have the renewables—we have a range. We find that a lot of these issues are common against all of the extraction and/or resource industries with the roads. To give you an example, the council opposed the Kingaroy Solar Farm for what we thought were very good planning grounds back in the day. It was overturned in the planning court. It is going ahead. We have a significant number of residential complaints: issues, impacts, road use—a range of things. It is currently a rural rated property. When it comes online in production, there will be a significant jump next year. It will move from the category of rural production to basically energy production. Its valuations, its category, its rating and its rating group will change.

I have no knowledge or visibility of the example that was given, but if you as a committee looked at the statistic you would say, 'Look at that property in Kingaroy. It has been rated $20,000 or $25,000 this year; next year it will be $67,000.' Then as it ramps up production, its rating will change according to category. It is very hard in these circumstances to just draw out a single statistic.

While we are talking about the resource industry, Stanwell Corporation and Meandu Mine are exceptional corporate citizens. Council would acknowledge the good working relationship that we had with them. I had the privilege of working in Bulloo shire 20 years ago now, without showing age. Santos at that time—and I imagine still—were exceptionally good corporate citizens. It was a relationship between the council and the companies that made these. I have dealt with many companies that do not have the road user agreements; they either refuse to sign or they just run. It is the ancillary industries—gravel extraction, sand, water—which compete for the primary production for water. These companies have significant impact on the communities they are in, and their categories and their valuation—you do not know if there was a revaluation—has a significant, major impact on what rate is charged.

ACTING CHAIR: I think all MPs hear about whenever there is a valuation change and the rates change. I do not think there is anyone here at the table who is not aware of that particular impact. Obviously, if there is a change of use the rating structure changes. I was taking it as read, in the example previously given, that it was the same rateable land use and that kind of thing.

Mr HEAD: This might be difficult to answer, but, as far as trying to give resource companies more notice and opportunity to discuss with their councils their rating categories, as well as give councils the autonomy to set rates and charges as they are required and as they best see fit for the future of their communities, can you suggest anything that the committee could consider that might help in that regard—that is, to give resource companies the opportunity to go through that process with you but maintain autonomy for local councils?

Mr Pitt: That is a good question. I am not quite sure if this is the answer. We live-stream all of our budget committee meetings now—from conception to adoption—so that everything is in the public domain. We try to engage with the significant companies in our region. When they come into production is always the challenging part. I am not quite sure I have the gist of your question, I am sorry. A number of councils now—and it is becoming more common—publish their budget far before they adopt so they have the opportunity for public consultation. Any company, including a resource company, can appeal its category. Going back to Nanango shire, prior to amalgamation the then Tarong and Nanango shires ended up in a court dispute over rates over a protracted period of time. There is also a legal avenue for companies to dispute what they are being rated, if it is incorrectly rated.

Mr HEAD: So you can contest the category but not the rates within the category?

Mr Pitt: Generally you try to get that work done, as I said before, prior to the budget meeting being done. I am aware that more and more councils are either publicly announcing their rate numbers or putting it out into public domain before the budget is adopted.

Ms Smith: If I could add to Mark's response, there was mention earlier about the inability to appeal. At the end of the day, we have an Ombudsman. If there is a complaint that needs to be taken up, that Ombudsman is there to hear those complaints.

ACTING CHAIR: Is it normally a council policy or good practice that when there is a significant rate hike—certainly outside the normal cycle or when it hits a certain threshold, whatever percentage it is—a council would engage with the landholder to step them through this? Is there a heads-up or something to say, 'We have done a reassessment. There has been a valuation,' or something like that: 'Just letting you know there is a certain threshold that has been met and therefore we are going to engage you early to let you know that the next rate cycle will have an impact so you can plan ahead'?

Ms Smith: Could I perhaps suggest that Justin online, coming from a resources council—

ACTING CHAIR: I think we are trying to retrieve him. I do not know if Justin is still there.

Mr Pitt: If I may, Coopers Gap has been in production for three years. It sits within ours. This is the interesting part with the rest of this bill and why it is so important: there is no lease area around the actual turbines so there was no valuation. We cannot rate unless there is a valuation. Those lease areas have been finalised, and this was the first year we have been able to rate Coopers Gap as an energy production. Otherwise, without being overly dramatic, the rural producers are the human shield. We wrote to all affected property owners—it is a matter of ordinary business—advising them that this was finally coming to the system three years after production, that their rating would change and that the leasing would change in accordance with the valuations.

ACTING CHAIR: Mr Hancock, are you online? No, we have lost him.

Mr WATTS: Could you highlight for us any other jurisdictions that are handling this kind of problem and any advice that we might be able to find from other jurisdictions? I do not know if they are having the same issues interstate that we are facing, and they have already legislated it.

Ms Smith: No, I do not have that information to hand, sorry.

Mr WEIR: Earlier you talked about the Ombudsman, but why is the case that the CEO of Quilpie just talked about still ongoing? Why is that not resolved through that process?

Ms Smith: I would refer to Justin if we have him back online, because Justin was speaking about some particular time frames that they had been working through on this.

ACTING CHAIR: Justin, do we have you back online now?

Mr Hancock: Yes, I am back now.

ACTING CHAIR: Did you want to ask the question again, Pat?

Mr WEIR: Did you understand what I was talking about, Justin? I was talking about the case that was raised by the CEO of the Quilpie shire that is still ongoing and—

ACTING CHAIR: That is him.

Mr Hancock: I could provide more context to that. Obviously under local government acts there are provisions in place for the recovery of outstanding rates. Council have attempted to follow that and sought independent legal advice on that. Unfortunately, the current mechanisms in place do not allow for the recovery. A typical example is that you are to sell a house for uncovered rates. However, unfortunately in this instance, with oil and gas petroleum leases, there is not actually something to sell. Essentially, what happens is that it gets returned to the state and the debt gets resolved. The problem is that that can often be a long time. Councils then have to carry that debt on their books. It is obviously not a good look for the council, yet we have exhausted all of our avenues.

We obviously approached the department about this particular issue. From our understanding, there are other acts in existence when it comes to coal and the like where if rates are not paid the mechanism is there to allow leases to be cancelled, essentially bringing that to an end. This is just bringing it in line with other forms of legislation, providing councils with some certainty, too, that there is not going to be ongoing debts accruing that unfortunately councils do not have the mechanism to recover. As I stated earlier, we have a legislated requirement to raise the rates. Regardless, every six months in our instance, we have to raise the rates notice even though at the moment it would be fairly logical to think that those rates will not be paid.

ACTING CHAIR: Thank you, Mr Hancock. I want to go back to a question that I posed and I think you had dropped out at that point. My question was around whether, in your case with your particular council, there was a policy or guideline whereby if a predicted rates increase hit over a certain threshold—say, well in excess or double the state average—there was a mechanism for council to approach the landholder or resource holder to discuss or give them a heads-up or by any way engage with them to let them know that, due to whatever mechanism has been approved by council or rates review, they were going to hit a significantly higher rates bill in the next rating period.

Mr Hancock: There are a few. There are obviously capping instruments to allow councils to cap the increase. Councils may choose not to change their charging valuational rate in the dollar, but there may be significant rating increases by land valuation. I think there are potentially two, touching on others, factors that could impact upon resource companies' ability to pay. It was not during my time, but historically here at Quilpie there was an instance when the oil price significantly dropped and there were a number of producers that were struggling, or were not forecasting their ability to pay the rates, and council were able to enter into a long-term payment arrangement with regard to that. There are also hardship or payment arrangements. Councils can work with producers if there are times like that so that a longer term payment arrangement can be entered into, to ensure those debts are serviced over the long term.

ACTING CHAIR: I guess that is in cases where profits are a bit lower and the income is a bit lower. However, in terms of when the council's rates threshold significantly increased—we had an example of one particular instance where rates went from $25,000 a year to $336,000 a year—is there a mechanism whereby council approaches a resource holder when there is a massive rates increase approaching?

Mr Hancock: When we adopt the rates, it is on a shire-wide basis. Our typical approach is to have community consultation on that, advising the community on what we are looking for—not only the resource sector but all general rates and utility services—and our forecast increases as well. It is providing every ratepayer an opportunity to provide feedback on that, and the resource companies can attend and provide their feedback as well. We do not necessarily seek out individuals or one-on-ones but take more of a shire-wide approach to allow feedback on forecast increases to our rates.

ACTING CHAIR: Thank you very much, everyone. The time that we had set aside for the hearing today has concluded. I do not believe there were any questions taken on notice for our attendees today. Thank you very much to everyone who has participated. Thank you to our Hansard reporters. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this public hearing closed.

The committee adjourned at 11.02 am.