

**SUPPLEMENTARY REPORT BY THE  
DIRECTOR OF FINANCE**

**PART A - MATTERS REQUIRING A COUNCIL DECISION**

**2. OBJECTION TO DIFFERENTIAL RATING RESOLUTION**

<b>Officer responsible</b> Director of Finance	<b>Author</b> Bob Lineham
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The purpose of this report is to advise the Council on the objections received from Telstra Saturn and Clear Communications to the Council's differential rating resolution due for confirmation today.

**BACKGROUND**

The Council has to adopt a revised differential rating scheme to implement the new funding policy and its application to the 2001/02 Annual Plan. The implementation of the necessary changes requires a special order resolution which is a two stage process. The first stage was adopted by the Council on 12 July in conjunction with the adoption of the Annual Plan and following public notification the Council is now required to confirm its earlier decision. The process provides for the consideration of formal objections.

One of the significant issues addressed in the resolution is the inclusion of utility networks as ratepayers.

Two formal letters of objection have now been received from Telstra Saturn and Clear Communications and these two letters were separately circulated to all Councillors on Friday 14 September.

A report is included in the agenda referring to letters of enquiry from several utility companies received before formal objections were received. That report addresses several of the key points and should be read in conjunction with the comments below.

**COMMENTS**

The letters of objection received are detailed and it is not practical to provide a comprehensive point by point commentary on them in the time frame available. Set out below are a series of points which answer many of the issues raised. Any other issues of concern to the Council will be addressed at the meeting if required.

- The Council has an obligation to rate these networks now that they have been brought on to the district valuation roll in accordance with the rules issued by the Valuer General.
- The letters acknowledge that Council has the right to rate the networks but consider that our decision to place them on the commercial rate is inappropriate.
- These organisations are clearly commercial and the assets being rated are a core part of their ability to do business. There is little justification to place them in a different category than other commercial concerns. Many of the arguments they raise in support could just as easily be applied to many other businesses in the city and to provide a special category would create other distortions. One of their key sources of revenue comes from the demand created on them by other businesses which are rated commercial.
- The Council's funding policy has allocated costs to sectors based on a detailed review of all of Council's activities. The fact that these new ratepayers are now in the sector does not alter the costs which are allocated to the sector. It reduces the level of rate within the sector. Therefore the arguments about double dipping are not appropriate.
- Rates are a property tax and not a charge for service. Whether or not they are able to pass the rates on is not relevant to the core issue.
- Full water and sewage rates are not charged to these ratepayers because they are not connected. They will however pay the half rate charged to all other ratepayers which have a service available but are not connected.

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- The Council owned utilities have been included in the base rate category because they are not operated for commercial reasons. They are monopoly services operated by the Council on a breakeven basis and the rating cost will be passed on to ratepayers the majority of whom pay the residential and base rate.
- Quotable Values, the Council's valuation service provider held workshops with the utility network companies in February/March to inform them of the pending rating of the networks and to explore the valuation methodology so these companies have known that this was going to happen at least since that time. Following the adoption of the differential rating resolution on 12 July a letter was written to each of the companies outlining the specific impact this would have on them.
- There is a separate process available to these ratepayers for them to object to the valuations on which the rates are based. This comes under the valuation legislation and has rights of appeal.
- The creation of a new category of ratepayers for these network utilities would require a rework of the funding policy which identifies the costs against each output which relate to the new category.

**Recommendation:** That the objections be received.

**CONSIDERED THIS 17TH DAY OF SEPTEMBER 2001**

**MAYOR**