

3. LATE OBJECTION TO DIFFERENTIAL RATING RESOLUTION

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The purpose of this report is to advise the Council of a late objection to the Council's differential rating resolution which was confirmed at the Council meeting on Monday 17 September 2001.

This objection from Telecom New Zealand Ltd (Telecom) requests the Council to reconsider how utility assets are treated in its rating system and amend the special order to the effect that:

- a separate general rates differential be established for utility assets; and
- the rate in the dollar applicable to these assets be the lowest of all urban ratepayer groups.

The Telecom letter (attached) raises similar issues to those raised by the other utility company objectors. In his report to the Council meeting of 17 September 2001 the Director of Finance sets out the Council position on the matter. These have been repeated below and answer all the issues that have been raised in the Telecom letter.

- *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 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.*
- *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.*

COUNCIL RESPONSE

The Telecom letter raises no new issues and the Council should respond by noting the objection and advising the company of the resolution which was passed at the Council meeting on Monday, 17 September 2001.

Recommendation: That the Council:

1. Note the objection from Telecom New Zealand Limited.
2. Review the objections expressed following the passage of the Local Government (Rating) Bill in the next Annual Plan round and consider the possible creation of a new category for networks.