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## **Report 02.109**

27 February 2002

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Report to Policy and Finance Committee  
from Ted Maguire, Council Secretary

### **Rating of Utilities' Networks**

#### **1. Purpose**

To inform the Council of the current position concerning rating liability of utilities' networks.

#### **2. Background and Comment**

(1) Court judgements (*Auckland City v Telecom*) have confirmed that utilities' networks are liable for rates. The networks cover:

- Telecommunications
- Electricity
- Gas
- Water
- Waste Water

The WRC's bulk water pipeline system is one example of such a network.

The liability only applies where a council's rates are levied on a capital value or annual value basis. Since there is generally no land ownership involved, there is no liability for rates made on a land value or land area basis. Generally, the networks are on/in land owned by other parties, e.g. local authorities roading corridors. Unless specifically exempted, the land is already liable for rates. Some facilities, such as the Water Group's water treatment plants are already rated.

- (2) As a consequence of the judgements, the Valuer-General, sometime ago, prepared instructions to valuation services providers, (e.g. Quotable Value Rating undertakes virtually all the rating valuations for constituent councils in the Wellington Region) requiring that all networks be on rating rolls by 30 June 2002. These rolls are of course the responsibility of territorial authorities, not the Regional Council.
- (3) Once on the rating roll, networks become liable for rates of both territorial local authorities and regional councils where those rates are made on a **capital value** or

**annual value** basis. We have a situation in some districts within this Region where the local council's rates are made on a land value basis, while most of ours are made on a capital value basis (with Scheme rates mainly on a land area basis).

Accordingly, in all cities and districts, there will be a liability for WRC rates, except those made on a land area basis. Wellington, Hutt and Porirua City Councils rate on a capital value basis and all networks in those cities, including any belonging to WRC, become liable for those Council's rates. As other territorial authorities rate on a land value basis networks in their areas will not be liable for territorial authority rates.

- (4) The Valuer-General has also stated that a valuation equalisation certificate will not be issued where utilities' networks are not on the valuation roll by 30 June 2002 but I am advised all this Region's rolls will be complete by the due date. It seems very likely however, that there could be challenges to valuations and valuation methodology by some network providers (the gas industry has been lobbying strongly that networks should not be rateable.) There could also be subsequent litigation.
- (5) From an overall rating position, the impact is on how "the cake is cut" not "the size of the cake". But it also means that our bulk water network may be liable to WRC rates as well as those of the constituent metropolitan Territorial Authorities that rate on a capital value basis. (This would increase the total amount of the bulk water levies). Also territorial authority networks throughout the Region may be subject to WRC rates.
- (6) We are meeting with the territorial authorities in the next few weeks to discuss the implications of the rating of utility networks. These discussions will include what rating differentials may be applied (we cannot levy a general rate differentially) or whether there can, or should, be any exemptions.

Unfortunately, I doubt if we will be in a position to discuss this Council's approach to rating utilities for 2002/2003 until the Annual Plan is being finalised in June. This is consistent with the resolution of the Utility Services Committee at its meeting on 20 February whereby the Committee noted that the impact of the rating of utilities' networks would need to be assessed prior to finalising the 2002/03 water levy in June 2002.

- (7) Valuations of our bulk water networks have been undertaken by Quotable Value using the Depreciated Replacement cost valuation approach using the Water Group's recent valuation. This is considered reasonable and appropriate. So far valuations for the assets in Porirua and Upper Hutt Cities have been received.

### 3. **Recommendation**

*That the Report be received.*