

21 May 2008

Submission to the Rotorua District Council

Rating Review

The Rotorua Chamber of Commerce wishes to speak to its submission at the submission hearings.

The Rotorua Chamber of Commerce (RCC) would like to thank the Rotorua District Council (RDC) for the opportunity to be involved in the review of the methodology used for assessing rates for the Rotorua District. We would also like to acknowledge the meetings and workshops that have taken place and the willingness of the RDC to share information and assist the Chamber to better understand the issues around this process.

The RCC considers this review as a tremendous opportunity to review and revise the current system and implement a system that will be appropriate for the foreseeable future in contributing to the positive encouragement of the economic growth of the region. RCC acknowledges the underlying principles of a taxation regime include equity, transparency, representative, stability, consistency, and enforceability. To these the Chamber would add the preference for the system to be simplistic to enhance its understandability and assist in making the administration and possible dispute and litigation costs to a minimum. The Chamber suggests there is value in having a rating system that is transparent and robust both in its revenue generation and expenditure allocation.

During 2007 the Minister of Local Government, the Hon. Mark Burton, commissioned an Inquiry in to Local Authority Funding. The Inquiry panel, chaired by David Shand, presented a report to Cabinet in August 2007.

The Inquiry undertook a considerable programme of consultation:

- 6,000 copies of a background paper were distributed in February 2007 setting out the main issues and inviting submissions
- 2,000 copies of a discussion paper were distributed for consultation on the impact of rates on Māori land
- 14 regional meetings were held with mayors, councillors, and council officers,
- 14 regional meetings were held with the general public,
- 12 regional hui were held with Māori
- A number of separate meetings were held with a wide range of key interest groups and a large number of relevant government agencies

- An extensive website (www.ratesinquiry.govt.nz) was developed containing background information on the issues.

The consultation process resulted in some 926 submissions from individuals and organisations covering approximately 10,000 pages. The submissions came from individuals, community groups, farmers and people living rurally, people with Māori land interests, companies and people with business interests, and local government. Submissions came from throughout New Zealand, but there were large numbers of individual submissions from Nelson and the Auckland region.

The RCC contends that the consultation process was comprehensive and the submissions represented a representative cross section of New Zealand population and interests

Although the report (now commonly referred to as the Shand Report) makes a total of 96 recommendations, only 11 of these recommendations directly relate to the use of rating tools. These 11 recommendations are:

- That the power to set uniform annual general charges be removed from the Local Government (Rating) Act 2002.
- That the 30% cap on uniform charges be removed from the Local Government (Rating) Act 2002.
- That local authorities be encouraged to charge for waste-water disposal by volumetric charging.
- That rating differentials be removed from the Local Government (Rating) Act 2002 from an operative date of 1 July 2012.
- That a common rating system based on capital value be promoted across the country for general rates.
- That councils indicate in their rates remission and postponement policies a policy for postponement of rating of rural property based on reassessed productive values.
- That councils be encouraged to make more use of their powers for flexibility in rating so that the rating burden better reflects value in use.
- That the previous model of a central government valuation authority be reestablished to increase the level of professional resources applied to rating valuations.
- As an alternative to recommendation 12, that the resources of the Valuer General's office be increased to facilitate better quality control of valuations and encouragement for councils to better maintain the valuation roll and databases.
- That the rates assessment notice make it clear that the rating valuation currently represents a means of distributing the rating burden rather than a likely realizable sale price.
- That councils develop explicit standards for valuation covering such issues as the proportion of properties to be physically viewed between each calculation cycle and the inspection of all improvements to properties arising from a building consent.

The RCC supports the recommendations of the Shand Report. Although the Cabinet has yet to respond formally to this report (our enquiries suggest their

response may not be forthcoming until July 2008, the recommendations provide a strong indicator of stakeholder opinion and, it is our contention, likely to form the basis of government opinion on local authority rating methodology.

The RCCI particularly highlights the recommendations relevant to the current discussion and consultation by RDC:

- The removal of the power to set Uniform Annual General Charges (UAGS)
- The removal of any cap on any UAGC (or on any replacement form of District Wide Targeted Rate.)
- The move to Capital Value as a basis for assessment
- The removal of differentials on sector groups as an assessment tool

The RCC would urge the RDC to recognize these recommendations in establishing a rating system.

The Chamber would like to propose the following rating system for consideration by the RDC

Uniform Annual General Charge [UAGC] (or if/when legislation permits, a District Wide Targeted Rate [DWTR])

The establishment of a UAGC / DWTR to be based on the identified expenditure on the following functions of RDC:

- Democracy, Strategic Development & Kaupapa Maori (\$2.33m)
- Civil Defence & Emergency Fund (\$343k)
- Building Control (\$503k)
- Planning - Policy (\$1.85m)
- Planning Implementation (\$1.87m)
- Inspection (\$1.27m)
- Community Policy (\$1.30m)
- Rural Fire (\$132k)
- Cemeteries and Crematorium (\$197k)
- Animal Control (\$325k)
- Community Halls (236k)
- Transport Road Safety (\$93k)
- Community Assistance (\$1.22m)
- Waste Management/Landfill (806k)

The projected income from this district wide targeted tax is approximately \$12.475 million and relates to a UAGC/DWTR of \$461.88 per rateable unit.

The change to a UAGC/DWTR based on the above areas of RDC expenditure results in the allocation of that particular form of rating revenue becoming transparent both in its calculation and in its expenditure.

The current legislation establishes a maximum UAGC level of 30%. The removal of this cap is recommended by the Shand report. There is a further cap imposed by the Rotorua local authority of 70% of that 30% legislated cap. It is RCC's understanding that the removal of that 70% locally imposed limit would enable the UAGC/DWTR to be set to the recommended level of \$461.88 and the overall percentage of uniform charges still remain within current legislative limits of 30% of the total.

The RCC would urge the RDC to remove the 70% locally imposed limit on the UAGC as it is restrictive in the application of alternative rating methodologies.

RCC supports a UAGC/DWTR where the component of the rates levied is transparent and the expenditure is specified. All ratepayers benefit from the components of expenditure covered by the UAGC/DWTR. The RCC disagrees with a UAGC/DWTR that is subsumed within the general expenditure of RDC activity.

RCC supports the RDC suggestion that Separately Used or Inhabited Parts (SUIPS) not be applied to the coverage of a DWTR. The underlying requirements of the revised system include equity, simplicity and ease of administration. The difficulty in clearly defining a SUIP introduces an unnecessary complexity to the system. In many cases where SUIPS may apply, there will be a higher rating levy from higher capital value.

Business Sector Targeted Rate

The establishment of a Business Sector Targeted Rate (BSTR) to be based on the identified expenditure on the following functions of RDC

- Destination Rotorua Economic Development
- Destination Rotorua Tourism Marketing
- Destination Rotorua Event and Venues
- Destination Rotorua Tourist Information
- CBD Retail Promotion.

RCC recommends that for the purpose of this rate, the definition of business be those entities that are involved in commercial activity. This includes the rating sectors defined as 'utilities'.

RCC also recommends that there be recognition of farming as a business category and that there is a degree of private good that is experienced by the rural business community as a result of economic and business development within the community. RCC acknowledges that the degree of private good will not be of the same level as that benefit accrued by the business sector.

To recognize this unequal benefit, RCC is recommending a differential allocation of the total rateable fund to be 15% against the farming sector and 85% against the business sector. RCC recommends that this allocation be based on data collected by Destination Rotorua Economic Development that identifies the generative impact of the farming sector as a percentage of Rotorua territorial authority GDP.

For the purposes of this submission RCC has assumed that the total is approximately \$5.5m. It makes two further recommendations

- That the allocation on retail promotion although still under the management of Economic Development be identified as a separate component
- That the allocation of the fund becomes contestable between the stakeholder groups. This will assist in ensuring accountability and ownership of the allocation portion of the fund.

RCC recommends that this BSTR be assessed on land area reflecting the footprint or degree of occupancy (as indicated by hectares or square metres) of the rateable unit of the business sector coverage of the region. The rationale for this allocation is:

- The predominant development for commercial properties is either single or two storey. The imposition of a rating differential on multi storey commercial properties is penalizing those ratepayers that have already made a considerable investment and through that investment are generating increased economic activity in the city.
- In a number of commercial properties the business activity is based on the ground level activity. For example, the active business space for a retail business is the street frontage on the ground level. Second levels may be allocated to storage or to some other forms of use, for example residential accommodation.
- The RDC, in considering the CBD Revitalisation, is currently discussing opportunities to encourage inner city living. One opportunity to achieve this would be the creation or conversion of second and subsequent levels above ground floor to residential living. The imposition of a BSTR rate on improved value (CV) as a result of any conversion would be inappropriate for the residential use component of the building.
- A number of the business ratepayers already contribute to economic development from their own marketing and promotions budgets. Generally those businesses that have a high improvement value (in some case represented by additional occupied floors of commercial activity e.g. accommodation) already contribute considerably to total city expenditure on marketing promotion and economic development.

RCC supports the introduction of a BSTR in that it better reflects those activities that have a direct and private benefit to business sector ratepayers. The expenditure is transparent and specified. The introduction of a BSTR covering these functions also places an assurance on future funding of these activities. The level of funding may also be indexed to either a CPI index or the proposed overall annual rate increase.

Retail Precinct Targeted Rate

The establishment of a Retail Precinct Targeted Rate (RPTR) to be based on the identified expenditure on those activities that are specific and relevant to the various

retail precincts. These areas of expenditure would include those such as (but not be limited to):

- Street Cleaning
- Graffiti removal
- Security costs
- Street decorations (seasonal or otherwise)
- City Centre Management

The retail precincts would include those areas such as:

- CBD Rotorua (including Rotorua Central and the defined Lakefront area),
- Ngongotaha Shopping Centre;
- Te Ngae Road Shopping Centre.
- Western Heights Shopping Centre,
- Any other retail precincts that have supply of additional specific services.

For the purposes of the submission the expenditure on these cost areas has been assumed to be approximately \$1m. The expenditure would be allocated across the identified retail precincts in which the activity occurs. The rate therefore would vary per retail precinct dependent on the level of services provided. This method of applying a targeted rate is successfully applied in the Tauranga District.

The RCC recommends that this RPTR be assessed on land area reflecting the footprint or degree of occupancy (as indicated by hectares or square metres) of the rateable unit of the particular retail precinct.

RCC supports the introduction of a RPTR in that it better reflects those activities that have a direct and private benefit to ratepayers in the identified retail precincts. The expenditure is transparent and specified.

Non-Differentiated General Rate

The introduction of a General Rate (GR) assessed on Capital Value (with no differential) applied across all rateable units.

The non-application of differentials across all rating groups would result in

- The simple and understandable rate applied to all properties irrespective of function or geographical locations.
- Fair to all rating groups.
- The private business good recognized by the targeted rates
- No requirement for an urban fence as no differential between sector groups
- No requirement for assessment of PARTS (allocation of the rateable value against differentiated sectors)
- Minimising any dispute or litigation over allocation of differential or PARTS allocation.
- Better reflection of current market value as a basis for triennial valuation reviews through using Capital Value as the tool.

The RCC is concerned that the proposed CV 234 will result in considerably increased rates burden on those business ratepayers that have invested heavily in Rotorua with high value capital improvements on their property. It appears that these business units are across all business sectors (farming, forestry, and tourism) but there is a high concentration in the hospitality and tourism attractions sectors. These businesses are continually increasing their investment in the accommodation and tourism plant of Rotorua through planned refurbishment and product development.

The trans-Tasman capability of the Rotorua Regional Airport will provide opportunities for economic growth. The attraction of new hotel accommodation operators to Rotorua will be essential. The introduction of a 2.5 differentiated capital rating system and the current strategy of imposing a development levy will act as a dis-incentive to undertake the required capital intensive development needed in the inner city.

RCCI reiterates its position in support of Capital Value as the basis for assessments of general rates, but its strong opposition to the imposition of differential. It is the imposition of the differential that is creating many of the anomalies of individual business rate increases that are being projected under Model CV234.

RCCI understands that the RDC elected Council has been provided with substantial background information on the criteria for rating tools, the legislative requirements covering Local Authority funding and a number of different models for rating application in the Rotorua District.

Although there has been considerable and predominant discussion on equity of generation across residential, farming, business and utility sectors, there has been minimal consideration of the economic impact of the introduction of CV234 on the broader economy of the district. It is recommended that an Economic Impact Study be undertaken to assess the economic impact of the Council's proposed model CV234 and the proposed alternative Chamber of Commerce model as outline above.

Recent anecdotal reports suggests that the RDC may be considering a gradual reduction over time of the 2.5 differential to a unitary value. This recognizes the recommendation in the Shand report that differentials be discontinued.

RCCI suggests that the introduction of the BWTR and the RPTR recognizes the private good and sector service provision of business related services. The revenue raised through the increased level of the DWTR and the sector specific BWTR, RPTR and FSTR will reduce the remaining revenue to be raised by the GR. Although it may result in a slight increase on residential ratepayers it would not be as great as under the application of a straight capital value method.

The RCC contends that this suggestion of a higher uniform annual general charge (district wide targeted rate), a business wide targeted rate, a retail precinct targeted rate, and a unitary general rate across all ratepayer groups will be simpler to

understand, easier to administer, transparent in its expenditure, based on user pays, and fair to all ratepayer groups.

We would request that the RDC develop a model based on the Chamber's suggested combination of rates and provide a response with a comparison against straight capital value, current 2007/08 land value system model and the proposed Council's CV based system.

The Comparative Example of a Neighbouring Local Authority - Tauranga

Tauranga Authority changed to a capital value rating system.

In summary, the system adopted by Tauranga was:

- A Uniform Annual General Charge of \$500
- A General Rate with no differentials - all sectors pay the same rate on Capital Value
- A targeted rate on business to cover Economic Development on Capital Value
- Individual targeted rates on the retail precincts of City Mainstreet, Greerton, The Mount Mainstreet.

As can be seen from the recent BERL report, Tauranga is the fastest growing economy in New Zealand.

The system of rates adopted by Tauranga to facilitate a move from land value to capital value has not had a detrimental effect economic growth.

Tauranga City Rates				
Code	Description of Charge	Exclusive GST	Charge Type	Inclusive GST
3000	Uniform Annual General	\$444.44	Uniform	\$500.00
3100	Wastewater	\$208.89	Services	\$235.00
3101	Wastewater Availability	\$104.44	Services	\$117.50
3120	District Residential	\$0.00112	Capital Value	\$0.00126
3121	District Commercial	\$0.00112	Capital Value	\$0.00126
3123	City Mainstreet	\$0.000372	Capital Value	\$0.000418
3124	Greerton Mainstreet	\$0.001282	Capital Value	\$0.001442
3149	Mount Mainstreet	\$0.000664	Capital Value	\$0.000747

3200	Economic Development	\$0.000341	Capital Value	\$0.000383
3201	The Lakes			
Regional Rates				
3500	Regional General	\$0.000153	Land Value	\$0.000172
3550	EBOP UAGC	\$50.00	Uniform	\$56.25
3551	Passenger Transport Rate	\$19.87	Uniform	\$22.35
3600	Kaituna A5 Area	\$26.44	Area	\$29.72
3601	Kaituna A5 Site	\$57.27	Uniform	\$64.43
3602	Kaituna A10 Area	\$1.76	Area	\$1.98
3603	Kaituna A11 Area	\$0.88	Area	\$0.99
3604	Kaituna B3 Area	\$4.41	Area	\$4.96
3605	Kaituna B3 Site	\$17.62	Uniform	\$19.82
3606	Kaituna B5 Area	\$1.76	Area	\$1.98
3607	Kaituna B5 Site	\$13.22	Uniform	\$14.87
3608	Kaituna C1 Area	\$2.64	Area	\$2.97
3609	Kaituna C1 Site	\$13.22	Uniform	\$14.87
3610	Kaituna A1P Area	\$88.11	Area	\$99.12
Water rates				
3110	District	\$475.56	Services	\$535.00

	Water Non-Metered			
3114	Normal Metered Water per m ³	\$1.1555	Services	\$1.30

COMPARISON OF THE RDC Preferred Model CV234 and the RCCI Alternative Model

The RCCI acknowledges the assistance provided by RDC in applying the proposed alternative RCCI model to the Rotorua District Rating Database.

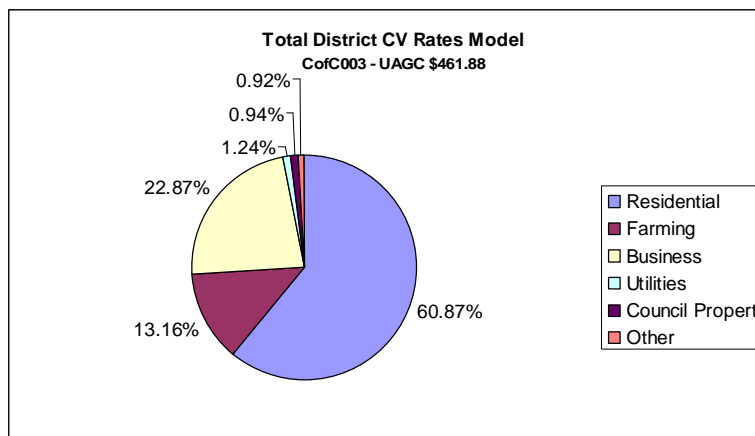
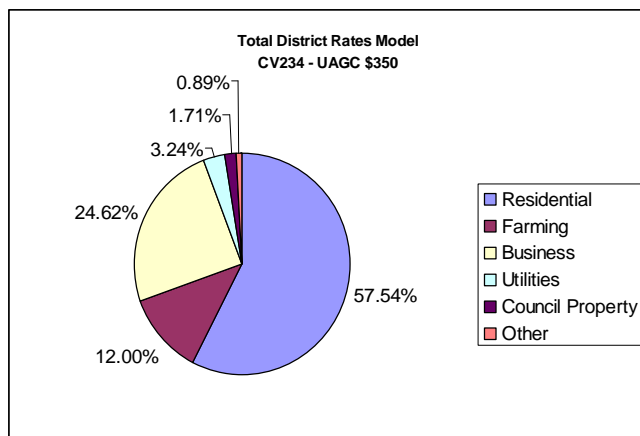
RCCI is concerned that the mailed brochure projected the change in rating system as a clear choice between capital value and land value as the two rating options. The example provided subsumed the use of differentials with the capital value assessment of individual ratepayer's possible future rates. The corollary of this is that acceptance of the new rates level using capital value infers an acceptance of the use of a differential. There was minimal discussion in the document of the further option between differentials and sector targeted rates. The RCCI considers this strategy implies an established mindset by RDC towards the adoption of Model CV234

The basis of the two models is as follows

RDC MODEL 234	Chamber of Commerce Model
UAGC = \$350	UAGC \$461
General Rate differential on business of 2.5 On Capital Value	General Rate No differentials On Capital Value
	A Business Targeted rate to cover economic development, tourist promotion, retail promotion Total Fund (\$5.5 mill) On area of footprint
	A retail precinct targeted tax to cover direct costs of retail area such as security, street cleaning, anti-graffiti, management. Total fund approximately \$1.00 mill On area of footprint
Parts relevant to calculate ratio of business to residential	No Parts
No SUIPS	No SUIPS

The higher UAGC in the Chamber model is based on a series of identified expense areas that have relevance to all ratepayers. The original Chamber model referred to this as a District Wide Targeted Tax but until any recommendations of the Shand report are released, a UAGC will remain as a component of rates. However the Chamber model identifies the expense areas on which the UAGC level is based. The Chamber model is a move from applying a differential to business to the introduction of targeted rates based on identified area of high private good to business.

Comparison of the Rates Collection percentage of RDC Preferred Model 234 with the Chamber of Commerce Model



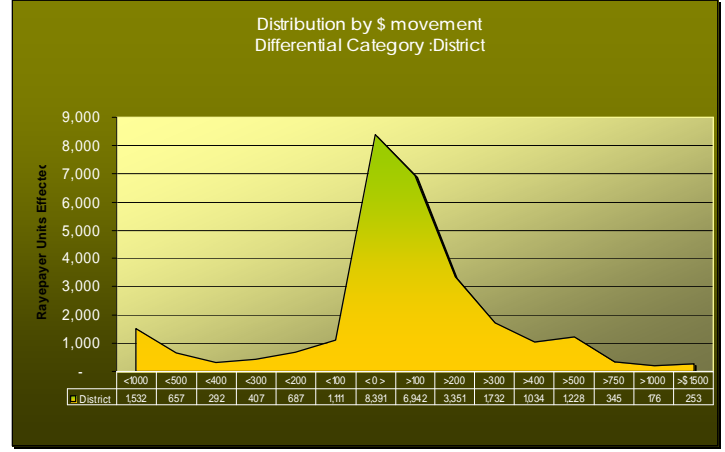
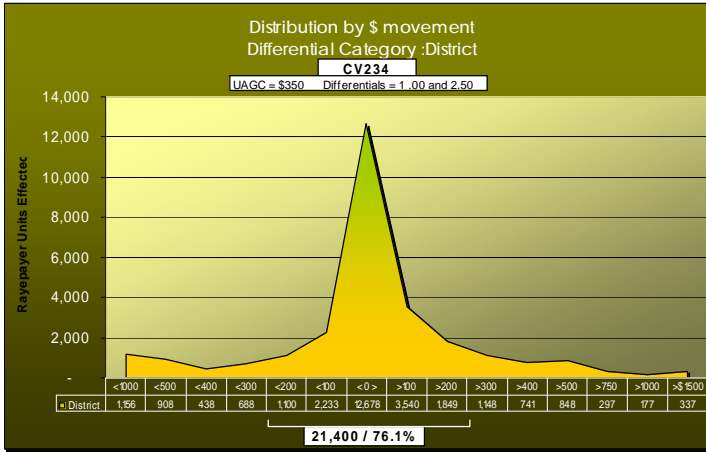
	RDC preferred Model 234	Chamber of Commerce model
Residential	57.4%	60.87%
Farming	12.0%	13.15%
Business	24.62%	22.87%
Utilities	3.24%	1.24%
Council Property	1.71%	0.94%
Other	0.89%	0.92%

The inclusion of utilities in both models moves some of the rates loading on to a previously unrated sector.

Business reduced by 1.75 percentage points, residential is increased by 3.47 points, and farming by 1.14 points.

Without access to the individual ratepayer database it is not possible to further identify the sub-sectors of residential or farming that are disadvantaged by this move.

Comparison of the Advantaged / Disadvantaged bands between RDC Preferred Model 234 with the Chamber of Commerce Model – For the region



	<1000	<500	<400	<300	<200	<100	0	>100	>200	>300	>400	>500	>750	>1000	>1500
RDC Model 234	1156	908	438	688	1100	2238	12678	3540	1849	1148	741	848	297	177	337
CoC Model	1532	657	292	407	687	1111	8391	6942	3351	1732	1034	1228	345	176	253

Interpretation of the two graphs above should take into consideration the different vertical scale giving the impression of a ‘fatter’ peak in the mid range of impact. As the commentary below states, the distribution of impact across all ratepayers is similar for both models.

Minimal Impact

The curve for the impact of both models shows a similar pattern with a large percentage have minimal impact <200 to >200 bands. Model 234 shows 76.05% (21405 rateable units of 28,138), Chamber of Commerce shows 72.79% (20482).

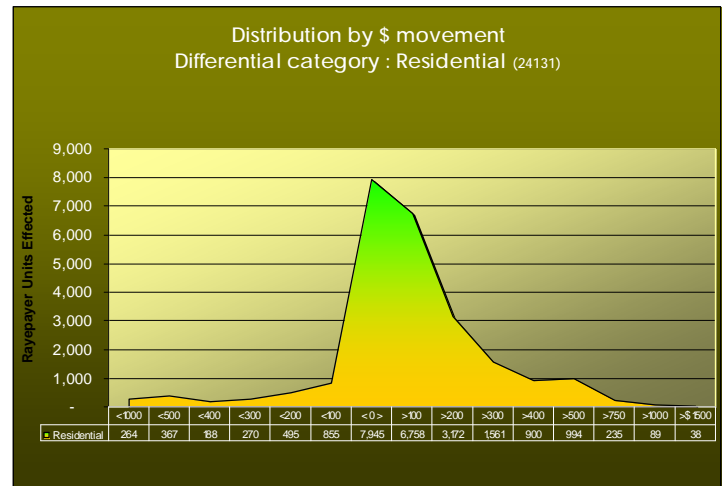
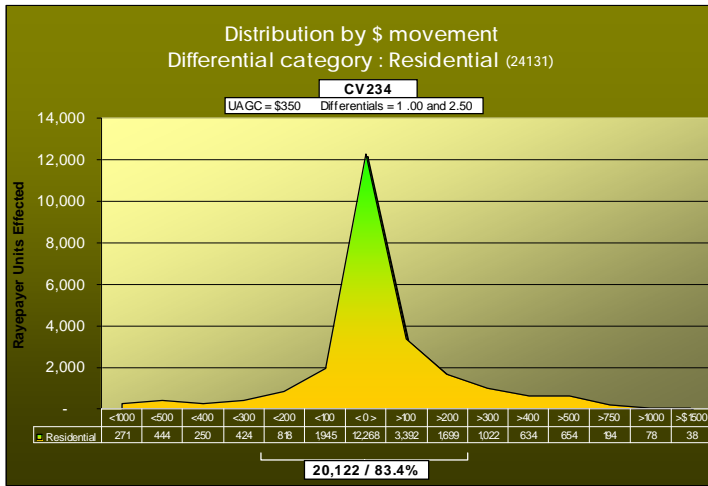
Considerably advantaged

For both models there is a distinct tail of those that are considerably advantaged. 2,064 (7.33%) from the RDC model have a benefit greater than \$500, the Chamber model shows 2,189 (7.78%)

Considerably disadvantaged

However, the considerably disadvantaged (those with an increase in excess of \$1,000 indicates for the RDC model 1659 or 5.90% while the Chamber of Commerce model indicates 2022 or 7.11%.

Comparison of the Advantaged / Disadvantaged bands between RDC Preferred Model 234 with the Chamber of Commerce Model - Residential



	<1000	<500	<400	<300	<200	<100	0	>100	>200	>300	>400	>500	>750	>1000	>1500
RDC Model 234	271	444	250	424	818	1945	12268	3392	1699	1022	634	654	194	78	38
CoC Model	264	367	188	270	495	855	7945	6758	3172	1561	900	994	235	89	38

Minimal Impact

Again the curve for the impact of both models shows a similar pattern (allowing for the visual interpretation of different vertical axis scale) with a large percentage have minimal impact <200 to >200 bands. Model 234 show 83.4% (20,122 rateable units of 24,127), Chamber of Commerce shows 79.68% (19,225), however, there is a noticeable shift within this band towards a plus \$100/\$200 band.

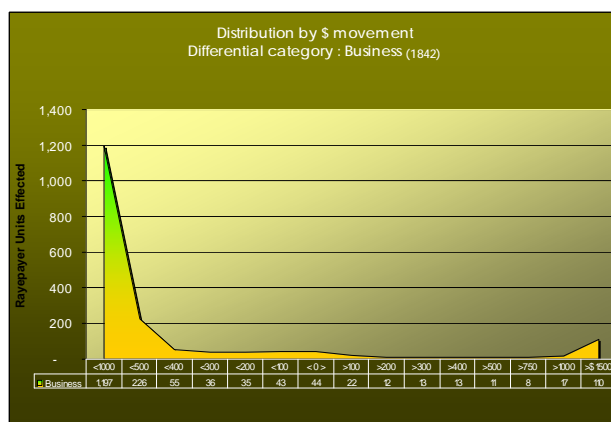
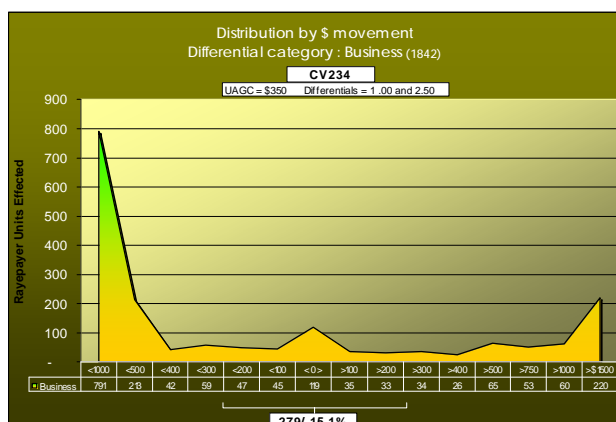
Considerably advantaged

The RDC model shows 715 (2.96%) residential ratepayers gain considerable advantage greater than \$500, the Chamber model shows 631 (2.61%) – a 12% move towards the centre.

Considerably disadvantaged

However, the considerably disadvantaged (those with an increase in excess of \$500) indicates for the RDC model 964 or 3.99% while the Chamber of Commerce model indicates 1356 or 5.62%.

Comparison of the Advantaged / Disadvantaged bands between RDC Preferred Model 234 with the Chamber of Commerce Model - Business



	<1000	<500	<400	<300	<200	<100	0	>100	>200	>300	>400	>500	>750	>1000	>1500
RDC Model 234	791	213	42	59	47	45	119	35	33	34	26	65	53	60	220
CoC Model	1197	226	55	36	35	43	44	22	12	13	13	11	8	17	110

Minimal Impact

For the business sector the curve for the impact of both models, as would be expected given the overall reduction in rates collection, the Chamber of Commerce model shows a much flatter curve across the spectrum of impact. In those bands with minimal impact <200 to >200 bands. Model 234 shows 15.1% (279 rateable units of 1848), Chamber of Commerce shows 8.4% (156)

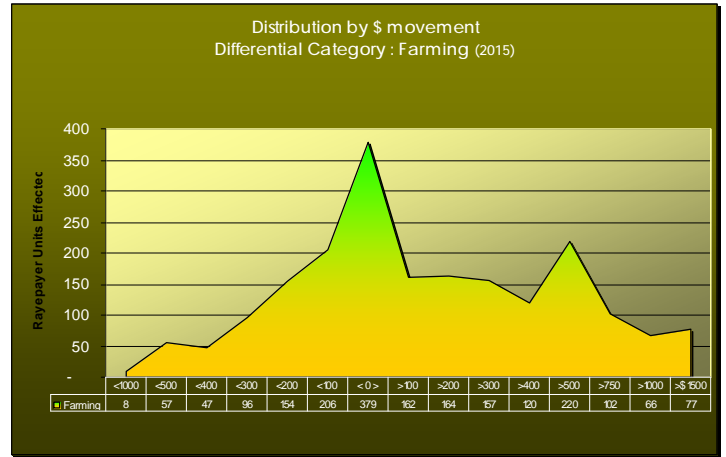
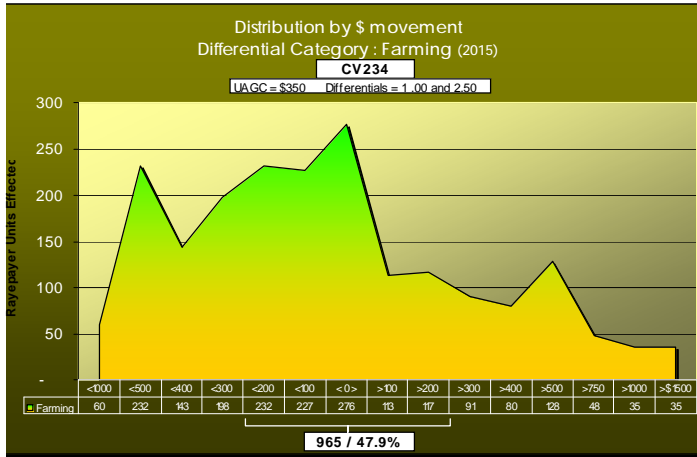
Seriously Advantaged

The seriously advantaged under the RDC model indicates 1004 or 54.32% would gain by a lower rates payable by \$500. The Chamber model indicates 1,423 or 77.00%.

Serious Disadvantaged

The seriously disadvantaged (those paying more than \$500 more in rates) in the business sector in the RDC model shows 398 or 21.53%. The Chamber model shows 146 or 7.9%. This indicates a considerable shift to the centre.

Comparison of the Advantaged / Disadvantaged bands between RDC Preferred Model 234 with the Chamber of Commerce Model - Residential



	<1000	<500	<400	<300	<200	<100	0	>100	>200	>300	>400	>500	>750	>1000	>1500
RDC Model 234	60	232	143	198	232	227	278	112	117	91	80	128	48	35	35
CoC Model	8	57	47	96	154	206	379	162	164	157	120	220	102	66	77

Minimal Impact

The RDC model indicates a total of 966 ratepayers or 47.9% in the minimal impact band. The Chamber model has 1065 or 52.8%.

Visual interpretation of the curve indicates a change from an emphasis of impact to the left of the graph (advantage) to a more bell shaped curve on the Chamber of Commerce model with a distinct peak of zero impact.

Considerable advantage

The RDC model indicates 292 or 14.48% have a benefit of greater than \$500. The Chamber model sees those advantaged decrease to 65 or 3.2%

Considerable disadvantage

The RDC model indicates 246 or 12.2% are considerably disadvantages with rates increases greater than \$500. However the Chamber model indicates 465 or 23% are disadvantaged

Comparison of the Extremely Disadvantaged bands between RDC Preferred Model 234 with the Chamber of Commerce Model

C of C	1,000 to 1,500	1,500 to 5,000	5,000 to 10,000	10,000 to 50,000	50,000 to 100,000	100,000 to 250,000	250,000 and above	Total
Residential	89	38						127
Business	16	43	15	32	6	9	5	126
Farming	66	53	9	11	4			143
Utilities and Council	4	14	3	8	3	16		48
TOTAL	175	148	27	51	13	25	5	444
CV 234	1,000 to 1,500	1,500 to 5,000	5,000 to 10,000	10,000 to 50,000	50,000 to 100,000	100,000 to 250,000	250,000 and above	Total
Residential	78	38						116
Business	60	123	36	47	9	3	2	280
Farming	35	23	3	7	2			70
Utilities and Council	4	17	10	6	4	3	4	48
TOTAL	177	201	49	60	15	6	6	514

Residential - Although there are a number of seriously disadvantaged in both models, no impact extends beyond the \$5,000 level and those affected are similar in both of the first two bands. There is therefore minimal difference between the RDC model and the CoC model in the number of extremely disadvantaged.

Farming – In the Chamber model the extremely disadvantaged number increases to 143 in the Chamber model from the 70 in the RDC model – a difference of 73 farming sector ratepayers. However, 61 of those 70 are in the first two bands having increases between \$1000 and \$5,000. Those with increased from \$5,000 to \$100,000 are 23 in the RDC model and 24 in the Chamber model.

Business – The total number in this extremely disadvantaged group reduce from 280 (15.1% of businesses) in the RDC model to 126 (6.8% of businesses) in the Chamber’s model. The higher level of impact from \$50,000 and above is not dissimilar in both models - 14 ratepayers in the RDC model and 20 in the Chamber model. Whichever model is adopted these small number of ratepayers would need to be the focus of separate consideration. However the Chamber model shows a considerably reduced impact in all bands above \$1,000.

The overall detrimental impact of the change to Capital Value was established as the group of 337 (under the RDC model CV 234). These ratepayers had a projected rates increase greater than \$1,500. This group received individual letters from RDC informing of the considerable change. This was strongly disadvantaging business with 65% of those contacted (220 Of the 337) being from the business sector. This figure (65%) does not compare with the percentage that businesses are of the total ratepayer group (6.54)% and shows a very strong negative impact bias against business.

The Chamber model indicates that the equivalent group (those having an increase in excess of \$1,500) drops to 269 and although business is still 40% of this group, it shows a better spread across all sectors and a slightly more equitable spread of disadvantage.

Ratepayer Sector	# in Sector	% of total	# Group 337 CV234	% Group 337 CV234	# Group 269 CoC	% Group 269 CoC
Residential	24131	85.75%	38		11.27%	38
	14.12%					
Farming	2015	7.16%	3510.38%	110	40.89%	
Business	1842	6.54%	22065.28%	77	28.6%	
Utilities	150	.53%	4413.05%	44	16.35%	
Total	28138	100%	337	269		

The above analysis indicates that the distribution of the disadvantage of the move to Capital Value is more equitable under the Chamber of Commerce model than the RDC model.

Although there is a limitation in identifying those who are extremely disadvantaged through the terms of privacy legislation, the Chamber of Commerce has been able to determine in discussion with major hospitality operators that the impact of larger scale accommodation operators is considerably less under the Chamber of Commerce model than the RDC model.

The Chamber of Commerce would ask that this model be considered as a preferred alternative for the calculation of rates under a capital value system.

Yours sincerely

Roger Gordon
Chief Executive Officer