

Industrial Rates 2010 revaluation

A UK property Tax:

Oct 2008 update

UKOPA/08/0073

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Timetable:

- Dec 07 initial meeting
- April, Aug 08 further review
- 2009 complete 2010 valuations
- Q4 2009 Rating list published and valuations issued
- 1st April 2010 New rates come into force

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The Valuation Office position:

1. Evidence obtained by VOA construction costs have increased 2 to 3 x in recent years.
NG transmission projects and short diversions
2. Material costs have increased 3+ times
Based on Corrus (Tata) quotes
3. Capex replacement cost estimate 2+ times

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The UKOPA Rating team position:

Shell Real Estates, Gerald Eve, AB Rhead

1. VOA construction costs are not based on comparable pipelines
2. Pipeline construction is different and market distortion in 2003 to 2008 by major NG projects
3. Market value of petrochem pipelines is different. (no new builds)
4. Material costs have increased

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The UKOPA Rating team way forward:

Shell Real Estates, Gerald Eve, AB Rhead

1. Construction cost based on escalation by indices NEDO and NG contract
Evidence given to VO Aug 08
2. Material costs have increased use evidence.
Discount based on quantum
3. Depreciation with age should be increased based on US/Canadian evidence (currently nil for 30 years)
Evidence given to VO Aug 08

Further meeting planned Nov 08

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Other Factors:

- The rate of de capitalisation currently 5% under consultation and may reduce, unlikely to increase
- The level of business rate estimated at 48.5p may reduce by up to 10%
- Level of transitional relief needs to be agreed
- New agreements for 2010 not retrospective

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Support required :

- Evidence of pipeline market values
- Evidence of material discounts based on quantity
- Evidence of age related costs and comparables

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- Questions