



Our Reference: 98476 / BL : LC

19 March 2013

Mr Nathan Petrus
Essential Services Commission of SA
GPO Box 2605
ADELAIDE SA 5001

Dear Mr Petrus

**Submission to the SA Water's Drinking Water and Sewerage Revenues
2013/2014 – 2015/2016**

I am writing to provide comment on the Essential Services Commission of South Australia's (ESCOSA) draft determination on SA Water's Water and Sewerage Revenues 2013/2014 – 2015/2016 (the draft determination).

The draft determination covers a wide area of issues, most of which are outside of the scope of Local Government. However, there is concern regarding the determination made seeking the reduction of frequency of valuation data purchased from the Valuer General's Office.

Within South Australia, Council rates are levied by Local Government on the assessed value of each property. Under the *Local Government Act 1999*, Councils may choose to purchase valuations from the Valuer General or a valuer under the *Land Valuers Act 1994*. Within South Australia only Adelaide City Council undertakes its own valuations and the City of Port Adelaide Enfield undertakes its own valuations of commercial and industrial properties. In all other cases, Councils choose to rely on valuations determined by the South Australian Valuer General.

Valuations generated by the Valuer General are purchased by three separate customers annually – Local Government, Revenue SA and SA Water. Should any one of these customers change the frequency of valuations required it is thought that there will be a direct financial impact on the remaining customers.

In South Australia assessed values are updated annually, while in other states valuation updates are less frequent. Enclosed with this letter is a table showing valuation methods, frequency and sources utilised by Local Governments in all Australian jurisdictions.

Section 8.5.8.1 of the draft determination indicates that the Commission "has decided that the costs of the Valuer General fees should only be allowed to be passed on to customers once during the initial regulatory period". It is understood that "this decision will generate savings of \$8.5 million for [SA Water] customers (\$11.19 per customer) over the initial regulatory period".

It appears that only the purchase of valuation data has been considered by ESCOSA in the cost paid to the Valuer General by SA Water. However, the purchase of data is not simply a one off deal but rather includes supplementary data such as revised values, property divisions, address changes, rezoning and land use reclassification. The ongoing need for this data suggests that it is unlikely that SA Water will experience the \$8.5 million savings over the regulatory period.

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It remains unclear what the real financial impact would be on users of the Valuer General's services from a switch to three yearly property revaluation period by SA Water. The Valuer General's overheads and ongoing costs in having systems and processes to deliver three yearly updates will certainly not fall by two thirds.

It should be noted that if SA Water withdraws from purchasing this annual valuation data, the viability of Local Government continuing to purchase valuations from the Valuer General may come into question. Should the costs be redistributed to Local Government, the sector may be pushed into examining alternatives such as purchasing valuations from a third party and bringing into question the sustainability of the Valuer General Office.

Should you have any questions on this submission or wish to discuss the mitigation of impacts, please contact me directly.

Yours sincerely



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Attach: Comparison of valuation methods, frequency, and service delivery – 98477

Comparison of valuation methods, frequency, and service delivery

	Valuation method	Valuation frequency	Valuation service delivery
NSW	Only unimproved value (i.e. "land value") permitted	Every 3-4 years (legislation specifies at least every 4 years). Land values for the purpose of the State Government's land tax, however, are determined annually.	Valuer-General contracts out provision of land valuation services to private contractors.
Vic	Councils may choose from: <ul style="list-style-type: none"> • site value • capital improved value (CIV) or • net annual value (NAV) – i.e. rental value <p>73 of 79 Councils use CIV; the remaining six use NAV</p>	Every 2 years.	Councils may contract a valuer or (from 2012) request the Valuer-General to do so. The Valuer-General audits the valuations.
Q'ld	(a) for non-rural land—its site value; and (b) for rural land—its unimproved value. ⁴⁵	<ul style="list-style-type: none"> • Every year for metro areas, • Every 2-3 years for provincial coastal areas; • Every 5 years for western regions of the State. 	The Valuer-General
SA	Councils may choose from: <ul style="list-style-type: none"> • site value • capital improved value or • annual value (i.e. 75% of the estimated gross annual rental) <p>57 Councils choose capital value, 10 choose site value, and only 1 annual value</p>	Annually	The Valuer-General
WA	<ul style="list-style-type: none"> • Unimproved value required for rural and fringe urban areas • Annual value required for urban areas 	<ul style="list-style-type: none"> • Every 3 years for Perth metropolitan area; • Every 3-5 years for country areas. 	Valuer-General
Tas	Councils may choose from: <ul style="list-style-type: none"> • site value • capital improved value (CIV) or • assessed annual value (AAV) – rental <p>However all 29 Councils choose AAV</p>	Every 6 years (although legislation specifies every 7 years)	Contracted out by each Council
NT	Councils may (in theory) choose from: <ul style="list-style-type: none"> • unimproved capital value (UCV), • annual value; or • improved capital value (ICV). <p>All Councils use UCV.</p>	Every 3 years	Councils must obtain valuations from the Australian Valuation Office, which supplies only unimproved land value

Source: Comrie, J., Smirl, L. & Sody, S. 2011, 'Rating policies – an ad hoc or principled balancing act?', paper presented at *Local Governance in Transition: Local Government Researchers Forum*, Sydney, 14-15 December. Paper available <<http://www.acelg.org.au/upload/Rating%20Policy%20Shane%20Sody.pdf>>.