

## CONSULTATION RESPONSE FORM

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### Questions

<b>1. Do you agree Welsh Government should continue to prescribe the decapitalisation rates used in the Contractor's Basis of Valuation?</b>
UKPIA's view continues to be that if set fairly, subject to consultation and within the context of existing case law, then continued prescription of decapitalisation rates is the preferred option. This can help avoid expensive litigation and assist predictability and accuracy in budgeting and forecasting which are important particularly when making location and investment decisions within our industry.
<b>2. Do you agree that the Welsh Government should continue to prescribe two decapitalisation rates in Wales?</b>
We have no objection to the continuance of two decapitalisation rates.
<b>3. Do you have any views on the methods for setting the decapitalisation rates (including any suggestions for alternative methods), on the range of values generated by each method, or on the merits or otherwise of each method?</b>

Firstly, we would wish to address the method of comparison with property investment (industrial) yields. The logic of the contractor's basis is that no open market evidence exists. Evidence is derived from the investment market where there are competing occupiers and where lease terms and covenant strength has significant influences on market yields. It is incongruous to apply analysis of sale prices from what is a completely different market to construction costs adopted for a specialised property. We are unaware of any established case law supporting such an approach.

Having regard to the more traditional approaches as endorsed by the Courts deriving from money market interest rates we understand that there is some difficulty in producing meaningful outcomes at a time when, recently, even negative interest rates were speculated and the Bank Rate stood at only 0.1% at 1 April 2021 AVD. However, it is noted that this is below the 0.25% rate which stood at 1 April 2015 AVD for the 2017 Revaluation.

Added to the widely known difficulties and uncertainties created by Covid together with anecdotal evidence of increased construction costs caused by Covid restrictions and supply difficulties arising, UKPIA considers that a reduction in the headline decapitalisation rate to 3.25% would be justifiable. This would also lend support and aid recovery of heavy industry at a very difficult time and we commend it to the Welsh Government.

**4. Do you agree with the Welsh Government's proposed approach for setting decapitalisation rates in Wales?**

Please see our comments to Q3.

**5. What are your views on adopting a general policy for setting decapitalisation rates in Wales for future revaluations?**

UKPIA considers that this could cause difficulties as it may reduce flexibility and the ability to fully reflect all of the factors that feed into the setting of the decapitalisation rates. We would counsel against this to avoid Government and industry being 'boxed in'. Continued consultations at each Revaluation is our preferred option.

**6. We would like your views on the effects that the Draft Regulations would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English.**

**What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?**

UKPIA does not see this as having any detrimental or positive impact on the use of the Welsh language.

**7. Please also explain how you believe the Draft Regulations could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**

UKPIA does not see this as having any detrimental or positive impact on the use of the Welsh language.

**8. We have asked a number of specific questions. If you have any further points related to this consultation which we have not specifically addressed, please use this space to record them.**

UKPIA has no further comments.

Responses to consultations are likely to be made public on the internet or in a report. If you would prefer your response to remain anonymous, please tick here