



**Vector Limited**

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Paul Melville  
Chief Adviser  
Commerce Commission  
PO Box 2351  
Wellington

23 September 2004

Dear Paul

**GAS INQUIRY TAX TREATMENT**

1. Vector appreciates the opportunity to comment on the Commission's paper of 8 September 2004, and the two supporting papers from its adviser, on the tax treatment to be used by the Commission in its gas pipelines inquiry.
2. Vector commissioned Professor Tony van Zijl of LECG to prepare a report comparing the Commission's proposed approach (tax payable) with the approach used in the Inquiry to date (tax expense). That report is attached and is the substantive part of Vector's submission. The LECG report identifies that the Commission's proposed change in tax treatment would, if implemented, have very significant effects on the tax amounts to be used in the inquiry for Vector's gas business. Vector is concerned that such a significant change is being contemplated at this late stage in the inquiry.
3. If the Commission proceeds with the proposed change in tax treatment, Vector requests the opportunity to review and comment on the tax numbers to be used in the inquiry analysis for Vector, prior to the Commission issuing its Final Report. Vector has previously raised the desirability of such a review, both for the Commission and interested parties, to reduce the likelihood of errors. The proposed change in tax treatment and the complexity of implementing it increases the value of such a review. We would be happy to clarify any aspect of our submission if that would be useful.

Kind regards

A handwritten signature in black ink, appearing to read "Simon Mackenzie".

**Simon Mackenzie**

Group General Manager Networks