

BY J. BRUCE BROWN: V

*This is Part Two of the
1967, which gives an o*



EVEN with all this evidence it is difficult to determine if rating on the basis of unimproved value is deliberately sought by ratepayers because of the desirability of the social ends it encourages. There is no doubt that the objectives of the New Zealand Unimproved Value Rating Association (Inc.) are governed largely by the social good it perceives in that system but whether this permeates the average ratepayer who votes for, or is content to remain on, an unimproved value system is unknown. It has been commented that ratepayers will prefer the system that affects their pockets the least. This may well be true but there have been some exceptions. Onehunga Borough ratepayers went to a poll in 1965 to determine the desire to change their system from unimproved value to annual value. In the figures previously given to you the residential ratepayers in Onehunga comprised 90.9 per cent of the total ratepayers and under annual value rating their share of the total rates would have dropped from 69.9 per cent to 67.5 per cent. This may appear small, but yet it hardly accounts for the poll result in which 1,586 voted to remain on the unimproved value system and only 778 voted to change it. In Milton, in 1963, 246 voted to change from the annual value system to the unimproved value and 137 voted to retain annual value even though the rating system change meant little variation in the total rate burden of the residential sector.

Here, too, there is danger of over-simplification. In New Zealand there is little factual data available to ratepayers to determine the effects of each of the three systems on their particular properties. The Government Valuation rolls contain the capital value and the unimproved value but the annual value is not given. Even though in some cases the annual value may be obtained from the local authority it is probably not assessed on a comparable basis to the Government roll as to method, time or economic circumstances, so valid comparisons are not possible. In Victoria, Australia, this problem has been met by a legislative requirement making it mandatory for a local authority in whose district a poll is being held to send to each ratepayer a "provisional valuation" which sets out his liability under each of the systems being considered. This is something that could well be adopted here whenever a change is subject to poll.

Today the ratepayer does not have in front of him the clearcut issues of the past. The rating field seems to have concentrated on spreading the rate burden more equitably, this being defined as the system that produces the fewest complaints, rather than consciously using the system to achieve particular goals. Around us confusion mounts as discussion centres on elements such as "equitable sharing of the rate burden," "ability to pay," "payment for services given," and "social impetus." I doubt that all of these are compatible and their conflict does little to so determine issues that local bodies or their ratepayers can clearly define the relative merits of the three main systems.

Considerable thought has been given to the incidence of rating and to the cost of local government generally

over the last decade in New Zealand. In 1958 we had the Report of the Royal Commission on Local Authority Finance. This was followed in 1960 by the Inquiry into the Structure of Local Government by the Local Bills Committee of the House. In 1963 the Committee on Local Authority Finance reported and in 1964 the Valuation Working Party of the Agricultural Development Conference made three recommendations bearing on rating in rural areas. It is from these investigations that recent modifications to existing legislation have originated and more of them are found in the Rating Bill now before Parliament. One of the provisions in it is of more than passing interest to this discussion. For the first time it places the choosing of a rating system on a common basis. Whereas once the unimproved value system was singled out for special treatment the new Bill provides for a uniform method for each of the three systems—the territorial authority may change its rating system by special order subject to the right of 5 per cent of the ratepayers to demand a poll. It is worthy of note that a proposal for a minimum unimproved value rating system, although included in the 1965 Amendment Bill, was withdrawn by the Government after considerable opposition to it was advanced at the Local Bills Committee.

New Zealand is not alone in questioning its present rating system. Four of the States of the Australian Commonwealth have carried out searching inquiries into their problems of valuation and rating. In 1960 New South Wales had an inquiry on certain matters arising under the Valuation of Land Act, 1916-51 and at present has a Royal Commission on "Local Government Finance and Valuation" sitting. South Australia had an inquiry in 1954 on "Assessments for Land Tax, Council Rates, Water Rates and Probate", while Queensland had a similar inquiry into "Matters concerning the Valuation of Land" this year (1966). Victoria has had an inter-departmental committee looking at the same problem as well. Though all these investigations traverse much the same subjects and have drawn on the best brains available, so far not one has come up with any radical change in the present principles and practices of valuation and rating. The result of the present inquiry by the New South Wales Royal Commission is awaited with interest because of its similarity to the New Zealand scene*.

*The result was published in LAND & LIBERTY—the advantages claimed for site-value rating were endorsed.

Value Rating and Modern Trends

VALUER-GENERAL FOR NEW ZEALAND

Article in the New Zealand Valuer, September, constructive view of the merits of site-value rating

Questioning too is taking place in the United Kingdom. There the rating system has been traditionally on the annual letting value but now interest is mounting among the professional societies in the alternatives of capital value rating and unimproved value rating or as they prefer to call it, site value rating. Interest in site value rating has been so intense that the Rating and Valuation Association, in 1964, commissioned a valuation of the site values of the town of Whitstable, Kent, as a pilot study. Up until that experiment it was not clearly known in the United Kingdom whether the yield from a rate based on land values would be sufficient to meet local government's requirements. The capital value method is also under discussion and this appears more acceptable because of the technical difficulties in assessing site values in a country where no precedents exist, and where the necessary past records may not be available.

Site value rating, or taxing—to use the correct idiom, is also under investigation and discussion in the United States of America. Basically the system used in local government there is capital value, but it is traditional and in many cases statutory that the values of improvements and of land be separately assessed. In many jurisdictions there are exemptions for certain improvements, hence this requirement. The Americans are very concerned with the need for reform in their property tax structure (87 per cent of local body tax revenue is obtained from property taxes) and in 1963 the Federal Government's Advisory Commission on Inter-governmental Regulation conducted a special inquiry into State property tax practices. In 1964 the Lincoln Foundation sponsored a visit to Australia and New Zealand of Professor A. M. Woodruff and Dr. L. L. Ecker-Racz, the Assistant Director of the Advisory Commission, to study at first hand the effect of site value rating in these two countries. Their subsequent report did not arrive at any different conclusion to those I have already given you in this paper. However, with characteristic American energy they required further answers, so in 1965 under the joint auspices of the Lincoln Foundation and the International Association of Assessing Officers a Seminar on Advanced Principles and Issues in Property Assessment was organised at Claremont Men's College, California, and the Valuers-General of Australia and New Zealand were invited to attend. American and Canadian assessors were also invited and the various rating systems were the basis of papers, scrutiny and discussion. The Americans are very interested in the economic influences flowing from site value rating and are

studying it principally for the attraction of the social advantages it has.

I have said enough to demonstrate the considerable vitality of the unimproved value method of rating. All investigators agree that it is not perfect but as a concept it continues to have a definite appeal. Up to now it has shown itself capable of modification to meet changing circumstances without too deeply compromising its original precepts. It has still many problems unanswered and many more will emerge as economic development progresses but time will find the answers.

Today the valuation rolls for New Zealand contain nearly one million assessments of unimproved value, this being four times the number on the rolls when the department started in 1896. In those days county rolls contained over 75 per cent of the Colony's property assessments and cities and boroughs 25 per cent. Seventy years later the position is almost exactly reversed with municipalities and urbanised areas accounting for nearly 75 per cent of properties and rural areas 25 per cent. Urban growth is producing the problems today and it is from this sector that the main problems of the future will come. I have no doubt that the valuation techniques and legislative innovation will continue to mould the unimproved value system to the needs of the day to make it continue as a viable system of rating.

FOUNDATIONS OF EQUITABLE TAXATION

From the *Auckland Weekly News*

3 September, 1864

IT MUST be no longer tolerated that hundreds of thousands of acres, bought from the natives and surveyed at the charge of the province, should be held in fee by a proprietary who do nothing to reclaim the lands, and who, at most, contribute only to the general revenue of the colony by payment of indirect taxes.

The public land is, in reality, given away; and the regulations cannot be said directly to promote the main end of colonisation, namely the reclamation of the wilderness. If any immigrants go upon the land to improve it, that is to be attributed rather to the spirit of the men themselves than to the system, for they are in no respect better off than the majority who make their selection and never look near it.

We must improve the soil or give way to men who will improve it; for we can see no earthly difference between unimproved lands in the hands of the Maori and unimproved lands in the hands of the Europeans. In neither case do these broad acres contribute anything toward the support of the population; in neither case do they add to the annual income of the colony in the shape of a direct tax, nor indirectly by maintaining a large population. Indeed, the case must be given in favour of an unimproved Maori proprietary, for as long as they retain possession of their territory that possession withdraws nothing from the public funds; whereas before the lands in possession of the European are transferred