

The Rating System in New Zealand

By BETTY NOBLE (Wellington, N.Z.)



From time to time overseas Georgists refer to the rating system in New Zealand. However, they are probably not aware of the changes that have occurred in recent years.

Definition of Improvements

The erosion of true unimproved land value rating has been going on for years. In an Act passed in 1970 "improvements" were redefined to exclude certain fixed improvements, e.g., retaining walls, the arresting or elimination of erosion or flooding. The result is that since then some value of a site attributable to the individual owner's efforts has been included in land value and therefore rateable.

Uniform Annual Charges

For at least 30 years uniform annual charges have been permitted for such services as water, sewerage and refuse disposal. However, changes were made in 1980 which gave the Councils of territorial local authorities the right to increase the use of uniform annual charges to include fire protection, underground conversion of electric lines, lighting, recreation, harbour work and, most important, works and services. This meant that even in areas ostensibly rating on land value a very large proportion of its income could be derived not from rates, but from uniform annual charges. As the use of this provision was left to individual Councils, the use made of it has varied a great deal.

An Act was passed in 1988 which limits the amount of revenue Councils may raise through u.a.c.'s to one-third of rates revenue. This indicates the extent to which u.a.c.'s were being used or expected to be used in replacement of rate revenue.

Differential Rating

Legislation passed in 1974 allows local authorities to rate differentially, i.e., to vary the rate in the dollar according to property classifications determined by the Council. This provision has been used to varying degrees to modify and reduce the effect of land value rating. The present Government has restricted the number of allowable classifications to a small number but even so differential rating reduces the beneficial effects of land value rating.

One must concede that hardship can be caused to single dwelling homeowners when their district is rezoned and land is sought for multi-dwelling units and/or for industrial and commercial purposes. Postponement provisions should overcome this, but due to years of inflation, present conditions for rates postponement are such that almost nobody qualified.

Reform of Local Government

The Government is currently trying to reform local government which has grown in a haphazard fashion over the last 150 years.

No one would deny that local government needs reforming and one can understand the Government setting up a Commission to deal with the matter. It was fairly clear that the Commission intended to pressure local authorities to adopt capital value rating regardless of submissions - although some of us did make them. We have always advocated one mandatory system of rating and the Commission does too, but unfortunately not the same system we recommend. Several city Councils have already been pressured into changing to Capital Value Rating.

Ratepayers Polls

In 1967 local body Councils were given the right to change the rating system operating in their area for special rates without there being a poll of ratepayers. The situation was vastly worsened by legisla-

tion passed in 1976 which gives Councils the right to change the rating system by special order. Legislation in 1988 withdrew the right of ratepayers to demand a poll.

Other Influences on the N.Z. Rating System

Thirty or forty years of uninterrupted inflation have led almost every one in the middle and upper income groups to expect a big untaxed capital gain from the sale of home, farm or company. The last thing they want is a reduction in the price of land.

Our rates here are comparatively low because fewer services are paid for by local authorities than are overseas. Bearing all the foregoing in mind, you will understand that what land value rating there is has much less significance than it should.

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Land Value Rating in New Zealand by Rolland O'Regan deals with this subject in depth. A few copies are available from the Henry George Institute for \$7.00. Copies may also be obtained from Betty Noble, 20 Connaught Terrace, Brooklyn, Wellington SW1, New Zealand.

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AN APPEAL

Despite the setbacks noted in the above article, there are some hopeful signs. A new political party is advocating the need to raise a larger revenue from land values. Proposals to reform local governments also offer opportunities.

To make progress, New Zealand Georgists need funds. An appeal is made to readers of the Georgist Journal to donate to this worthy cause. Send your donation to Robert Keall, New Zealand Land Value Rating Association, P.O. Box 6038, Auckland, New Zealand.