

LAND VALUES RESEARCH GROUP

SUPPLEMENTARY SUBMISSIONS

to

THE ROYAL COMMISSION ON RATING

AND VALUATION

RELATIVE TO MATTERS CONTAINED

IN NEW ZEALAND REPORTS

ALREADY BEFORE IT

NEW SOUTH WALES

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LAND VALUES RESEARCH GROUP

FURTHER SUBMISSIONS

to

THE ROYAL COMMISSION ON LOCAL GOVERNMENT

FINANCE AND VALUATION

These submissions contain additional information and comment upon New Zealand Reports on rating systems and polls which have already been brought to the attention of the Commission by others but which it is felt are misleading, in that they disclose only part of the material facts necessary to proper evaluation of their contents and could therefore lead to unsound conclusions. They are the personal contribution of the Research Director, who visited that country last year, where source data was obtained. In this they are different from the main submissions of the Group which were a collective compilation and consensus of views.

1. Submissions made to the Commission by Wollongong Council included reports by City Valuer S.H. Clark favouring annual value rating and by Councillor V.J. Chapman favouring unimproved value rating, as presented to the Auckland City Council in New Zealand preceding an unsuccessful poll of ratepayers in 1963 upon a proposal to change from the annual value to the unimproved value basis.
2. When it is remembered what a wealth of reports upon the incidence and effects of rating systems there is in Australia, based upon factual analysis of assessments in the subject areas - and the large number of ratepayers' polls successful on similar proposals in our own country - it is hard to see why such significance should be attached to this isolated unsuccessful poll in another country as to bring it specially before the Commission. There are in fact important reasons not yet explained to the Commission why little weight should be given to the Auckland case in arriving at conclusions on the relative merits of the rating systems, and these are contained in the following submissions.
3. Relative to Australian experience it should be pointed out that in South Australia unimproved value rating can only be adopted by carrying such polls. In Victoria such polls are the main means of making the change though Councils may do so without a poll where - after receiving official statements comparing the rates payable on their individual properties under the alternative systems - less than 10 per cent of the ratepayers are dissident and interested enough to demand that a poll be taken before implementing the change. Yet in South Australia, 44 councils of the total of 142 had made the change and in Victoria 55 of 209 councils had done so by the end of 1965.
4. There seems, too, a lack of sense of proportion in citing Auckland, even in relation to New Zealand experience, when it is remembered that ratepayers in that country can only adopt unimproved land value rating as result of a successful ratepayers' poll and not by council resolution. Once, every municipal unit there rated improvements on either the capital or annual value basis. Yet at March 1963, the position had been reached where 218 councils (71 per cent of the total 288) had changed to the unimproved value basis. Only 57 still used the capital value ; 13 used the annual value ; and of these only two (Auckland and Lower Hutt) were cities. As well as embracing 71% of the total number of councils those rating on unimproved value contributed 71% of the total rate revenue of the whole of New Zealand.
(The words ' unimproved value ', ' capital value ', and ' annual value ' as used in these submissions are the official New Zealand terms for which the New South Wales equivalents are respectively unimproved capital value, capital improved value, and assessed annual value).
5. In this setting it is hard to see why arguments used for this isolated lost poll in New Zealand should be singled out as important enough to be brought to the consideration of the current Royal Commission while those for the 218 successful ones in the same country are passed over.

5. (Cont'd.)

One may well wonder why Auckland opinions are cited in preference to Wellington, the capital city. Certainly Auckland and surrounding suburbs form a metropolis with greater total population than Wellington (whose possibilities of lateral expansion are limited by the surrounding mountains) - but this poll in question does not relate to that Greater Auckland area comprising 25 municipal units (of which 17 rate on the unimproved value basis). It is confined only to the central local unit bearing the name of Auckland City. This portion covers 18,253 acres which is slightly greater than Wellington's 17,789 acres. The relative populations at 1964 were 148,000 to 126,000 respectively.

6. The only significant difference between this particular Auckland poll and others would seem to be that the proposal to change to U.C.V. was rejected by a far greater proportion of the votes than has ever been experienced in Australia, the vote being approximately 8 to 1. The magnitude of the margin suggests some important difference between conditions applicable to the Auckland poll and those in Australia.
7. To find out the reasons for this we wrote to the City of Auckland setting out the conditions applicable to Victorian polls and asking for information on the corresponding practice for the Auckland poll. A similar questionnaire was sent to the New Zealand Unimproved Value Rating Association. Copies of our letter and both replies are given at the end of this submission as Exhibits R, S and T.
8. From these questions and answers it is evident that the reason for the heavy rejection in this case is simply that the requirements regarded as essential to produce an informed vote in Victorian polls were not complied with in the Auckland poll - and that there is a serious weakness in both the valuation and poll conditions in New Zealand where the proposal is to go from annual value to unimproved value rating, in that the ratepayers have no effective means available to tell them their comparable financial liability under the two systems. We deal with these replies and weaknesses more fully later in these submissions after discussing the Auckland reports .

REPORTS CONSIDERED BY AUCKLAND CITY COUNCIL.

9. In embodying the reports of City Valuer S.H. Clark and Councillor V. J. Chapman to Auckland City Council in submissions to the Commission it was apparently thought that these had an important influence in the result of the poll and were therefore worth consideration. Actually they were reports internal to the council submitted nearly two years before the poll and were not generally circulated. The Council itself had nothing to do with the initiation of the poll which was demanded by the ratepayers who also had the ultimate decision. The arguments in the reports are not linked directly with the result of the poll except that they would have influenced the thinking of individual councillors and officers on the issue. In general, the comments of Cr. Chapman are an effective answer to the case made by Mr. Clark for rating annual value, though there are some important additional criticisms which should be made. The matters in Mr. Clark's report requiring further clarification to assist the Commission are dealt with in the following submissions.

COMMENTS ON THE CLARK REPORT

10. In the Clark Report the whole development of the statistical Auckland District has been treated as though linked with the rating system of Auckland City (which is only a small part of the District), but in fact the parts rating on the unimproved land value basis have contributed the overwhelming proportion of the development which he credits to that city.
- 10.1 After comparing the percentage growth of the capital value of Auckland City rating annual rental value with that of Wellington City rating unimproved value, Mr. Clark says : " The latest statistical information on factory production shows that the Auckland District dominates the manufacturing field with 28.9% of the total .

which is more than the figures for the whole of the South Island (27.3%) Auckland contributes 33.8% of all New Zealand imports and 18.7% of all exports. Some idea of the magnitude of the population increase is gained from the fact that, within the past five years, Auckland has added to itself a "city" larger than Hamilton (50,000) and at the present rate of increase faces the prospect of adding a "city" approximately the present size of Dunedin (75,000) within the next ten years."

- 10.2 He has assumed that the development of the whole Auckland District can be equated with the use of annual rental value rating by Auckland City and that this proves the superiority of that system for its needs. He takes this for granted without checking the conclusions against the facts. Had he done so it would have been seen that the growth statistics he himself cited warrant the opposite conclusion to that he arrived at. They warrant the conclusion that the substantial development of the Auckland District as a whole (of which Auckland City is only a small part) is largely due to the fact that 72 per cent of the municipal units within it, embodying 97 per cent of its total area, rate the unimproved land value and within this vast area improvements are untaxed for general rates.

(The actual figures from " Local Authority Statistics 1962/63 " issued by the N.Z. Department of Statistics are :

Rating unimproved land value : 23 units (6 counties, 17 cities and boroughs) covering 2,066 square miles ;

Rating improved value, capital or annual ; 9 units (nil counties, 9 cities and boroughs (including Auckland City) covering a total 48 square miles.

Even if the counties were excluded and the cities and boroughs in the Metropolitan Area alone considered the 17 rating unimproved value cover 36,413 acres while the 9 rating improvements and including Auckland City cover only 31,981 acres - but this would understate the comparison for unimproved value rating because Waitemata and Manukau Counties are contiguous with it and treated as urban units and are responsible for most of the recent growth.

10.3 Population Growth

The population growth cited for Auckland District as a whole is certainly impressive but closer examination shows that it has been mainly contributed by the unimproved value rating parts of the district and that the contribution of Auckland City itself has been small. The statistics below show the distribution of the increase of population between the years 1953/54 and 1962/63 according to rating system of the counties, cities and boroughs in the Auckland District, and are taken from Local Authority statistics publications for those two years. They cover a longer period (9 years) than the five years mentioned by Mr. Clark and cover the same 30 local units at both periods, (two boroughs of Tuakau (U.V.) and Waiuku (C.V.) formed since 1954 are excluded, their combined population being 3,250).

	<u>Auckland District Population</u>	
	<u>Rating U.C.V. (22 local units)</u>	<u>Rating C.V. or A.V. (8 local units including Auckland City)</u>
Population @ 1. 4. 1963	316,950	228,200
Population @ 1. 4. 1954	199,760	211,010
Increase (9 years)	117,190	17,190

Of the total increase of 134,000 in the period, approximately 117,000 (87%) was contributed by the units rating unimproved value and 17,000 by the local units rating improvements. Of this small share that of Auckland City itself was only 11,700 (a mere 9% of the total increase). Annual growth rate of the U.V. rating part averaged 6.5% that of the A.V. rating part only 0.9%).

- 10.4 Thus the remarkable growth in population which he has cited as evidence of the superiority of Auckland City's system of rating annual rental value of land-plus-improvements. WAS REALLY CONTRIBUTED BY THE AREAS RATING UNIMPROVED VALUE and only a very insignificant share was contributed by Auckland City itself. The evidence points to the superiority of the unimproved value system which is directly opposite to what he has claimed. His expectation that the Auckland District will show growth in the next ten years equal to Dunedin's present population will probably be realised - but that growth will take place in the districts rating unimproved value and not in those taxing improvements.
11. The comparisons of development between Auckland City and Wellington City in the Clark Report have greatly overstated the true growth of Auckland City which is inferior to that of Wellington City measured by several different criteria.
- 11.1 Capital Value Increase
- The main portion of the Clark Report comparing the growth of these two cities reads as follows :
- " Over the 10 year period ending 1960 the Capital Values of Auckland City increased by 260% against a national increase of 208%. Wellington City, which rates on unimproved values, showed an increase of 135% over the same period, but during that time 1937 acres were added to Wellington City by amalgamation with an urbanised part of the adjoining county. Auckland City's capital value is 1.11th of the New Zealand totals."
- 11.2 He does not give the actual figures on which the percentages are based and which could have given a clue to their inherent fallacy. If one merely takes the difference between the statistics shown for years ended 31st. March 1950 and 1960 in the Local Government Handbooks the percentage increases in capital value appear to be as quoted by him. But the statistics give a false picture of the real growth and further comment is needed to interpret the figures.
- 11.3 That Mr. Clark recognised this need is evident since he was careful to point out that 1937 acres had been added to Wellington in the period. This increased its capital value from the previous year £73,867^{pro} by £1,299,000 (i.e. by 1.8 per cent).
- 11.4 But he omitted to mention that in the same period Auckland City had its first post-war revaluation, five of its twelve subdivisions (including the central business section) having last been valued in the prewar years 1938 to 1940. Three were valued in 1949, the same year as the whole of Wellington had its first post-war valuation, and the last in 1953. Thus his ten year comparison started with a true figure for Wellington on post-war values and a fictitiously low figure for Auckland at pre-war values. The difference between the figures for the commencing year 1950 and the terminating year 1960 in his comparison thus grossly overstates the true increase for Auckland.
- 11.5 As City Valuer one would have thought that he would be aware of these facts and of the need to make the major adjustment in the base figures of his own city, without which his comparison is positively misleading. Failure to do so misled him into dismissing the need to inquire whether unimproved value was economically desirable as "irrelevant in regard to Auckland" in the belief that the figures showed his city, rating improvements, was much superior in development to Wellington which did not.
- 11.6 For true comparison between the two cities Auckland's base value for 1950, as shown in the Local Government Handbook, must have added to it that fraction of the total increase between the pre-war and post-war valuations which occurred up to 1950. We have done this for each of the subdivisions, the last of which had its first post-war revaluation in 1953. The detailed working is shown in Table 1 of the Appendix. It is found that the real comparable figure for the capital value of Auckland in 1950 was approximately £108,200,000 instead of £61,157,000 shown in the handbook. Similarly the unimproved value was £38,305,000 instead of £22,440,000 .

11.7 With this adjustment the true comparison between Auckland City and Wellington City over the ten year period from 1950 to 1960 works out strongly in Wellington's favour. This is the reverse of the statement in Mr. Clark's report. For Auckland the capital value increased from £108,200,000 to £213,051,000 (i.e. by 97% and NOT 260% as claimed). In the same period Wellington increased from £74,388,000 to £172,958,000 (i.e. by 133%). For similar reasons the national average quoted as 208% is also inflated.

11.8 Value of Buildings a better test.

Increase in the value of buildings and other improvements is a far more significant test of the worth of the rating systems than the increase of capital values. Capital value is the sum of the values of the land and of the buildings. Increase of capital value may simply indicate that land speculation has driven the price of land up against the prospective user which will restrict further development. It can be an ominous sign and not an evidence of healthy growth.

11.9 In comparing development of cities such as Auckland and Wellington sound indicators of healthy growth to be looked for are : -
proportion of increase in value of buildings ; relative value in buildings and other improvements per £100 of land value ; average value of improvements per assessment. The summarized results of applying these tests for the same ten year period are as follows the detail being given in Table 2 of the Appendix :

	# Buildings valued at	Buildings value per assessment	Buildings value per £100 of land value
	£	£	£
<u>Auckland City</u>			
At 31. 3. 1960	132,272,000	3,396	164
At 31. 3. 1950	69,895,000	2,206	182
Increase 10 years	62,377,000	1,190	18 Decrease
%	(90%)	(55%)	(-10%)
<u>Wellington City</u>			
At 31. 3. 1960	122,624,000	3,566	244
At 31. 3. 1950 *	49,898,000	1,475	204
Increase 10 years	72,726,000	2,091	40
%	(146%)	(141%)	(20%)

Buildings and other improvements.

* with addition of amalgamated part.

11.10 In each of these important test indicators of sound growth the superiority of performance of Wellington where improvements are tax-free, over that of Auckland where they are taxed, is clear and substantial. The price of land in Wellington has been kept at a much lower level than with Auckland and has enabled investment in buildings and other improvements to be accelerated. As a result of its long continued practice of tax-free improvements and land rating, the value in improvements per £100 of land value for Wellington was above that of Auckland at the start of the period and the differential increased substantially by the end of the period. Auckland showed a 10 percent decline over the period for this indicator, the price of land rising more than the value in building activity. Proportionate increase in total value of buildings and in average value per assessment for Wellington was nearly double that for Auckland.

(This comparison is the more significant because Auckland City has a considerably larger metropolis around it showing good growth under the stimulus of land value rating and tax-free improvements. The surrounding prosperity could be expected to flow to the central unit to some extent whatever its rating system, though more strongly if it followed the same policy of tax-free improvements).

- 11.11 The margin of superiority in development in favour of Wellington City as against Auckland City, evident in the ten year comparison of paragraph 10.9, increased over the next five yearly valuation cycle for which results are now available. This will be seen from the following :

<u>Item</u>	<u>Auckland City</u> (at 1. 4. 1965)	<u>Wellington City</u> (at 1. 4. 1965)
Area (acres)	18, 253	17, 789
Assessments (number)	42, 068	36, 780
<u>Buildings and other improvements :</u>		
" " " " Total rateable Values (£)	174, 649, 000	163, 831, 000
" " " Average Value per assessment	4, 152	4, 454
" " " " (£)		
" " " " £100 of U.V.	143	219

- 11.12 Value of Building Permits Issued

Value of building permits provides a direct check independent of differences between totals at valuation periods. The New Zealand Department of Statistics publication "Population, Migration, Building for 1963/64 " gives figures for the four years 1960/61 to 1963/64 inclusive. The total value of building activity in this period was :

Auckland City : £39, 746, 000 of which commercial and industrial building (by subtraction of value of permits for houses and flats) was £26, 738, 000 which averages £1, 465 per acre over its 18, 253 acres.

Wellington City : £36, 234, 000 of which commercial and industrial building permits totalled £25, 129, 000 averaging £1, 413 over its 17, 789 acres.

From this it is seen that the impression given that Auckland City dominates greatly in industrial and commercial development is incorrect. My personal observation, supported by photographs taken of the main commercial areas of both cities on a visit to New Zealand in December 1964, is that Lambton Quay, the main business area of Wellington, is much more uniformly developed with good quality large city buildings than is Auckland's main business area in Queen Street. There the development is very patchy, with some good buildings interspersed with low structures quite out of keeping with the values of the sites.

12. The Clark Report cites a Wellington City Council sub-committee report presented in 1921 which was strongly against unimproved value rating but does not mention later developments which show the views of this sub-committee out of step with ratepayers' views.

- 12.1 If the views of the 1921 sub-committee had any considerable support from ratepayers it is inconceivable that the unimproved value system could have continued in operation for a further 45 years to now without a reversion poll being demanded.
- 12.2 The dissident councillors in 1921 did seek to promote a reversion poll but although they advertised for three months that forms could be signed at the Town Hall, they were unable to secure signatures from enough ratepayers to obtain a poll, though only 15 per cent of the ratepayers needed to do this to ensure a poll.
- 12.3 By contrast in 1927 a demand was presented by ratepayers for a poll to extend unimproved land value rating to cover water and sewerage which had till then been on the annual rental value basis, (Councils adopting unimproved value rating before 1912 were only required to use the system for the general rate although those adopting from that date must apply it for all purposes).

12.4 The poll to extend the system to water and sewerage services was carried by a very substantial margin, the voting at the original and the extension polls being respectively :

<u>Purpose of Poll</u>	<u>Date</u>	<u>Favour U.V.</u>	<u>Favour A.V.</u>
To adopt U.V.	(14/11/1901)	1, 261	591
To extend U.V.	(27/4/1927)	8, 169	4, 262

This shows that the council sub-committee views were not then acceptable to Wellington ratepayers. That they are unlikely to have altered since is shown by the election to Wellington Council, at the top of the poll in 1965, of Dr. Rolland O'Regan, Chairman of the N.Z. Unimproved Value Rating Association.

12.5 The margin in favour of Wellington in relation to Auckland for 'average value in improvements per assessment' and 'per £100 of land value' has greatly increased from this extension of U.V. rating in 1928 (as shown by the statistics in Table 2 of the Appendix).

13. The Clark Report relies largely on opinions on rating systems expressed by municipal officers and formed twenty to forty years ago at a time when few factual studies had been made on the subject anywhere.

13.1 This applies particularly to the remarks of Mr. G.A. Lewin, late Town Clerk of Dunedin City Council which were prepared in 1923. They were not based on experience of the unimproved value system which was not then used by his Council. Dunedin did change to the unimproved value system in 1953, from which dates the upsurge of new building activity linked with the rate change as mentioned in Cr. V.J. Chapman's statement in rebuttal of the Clark Report.

13.2 Other opinions cited in the Clark Report were those of Messrs. Luckie (Wellington), Lyons (Christchurch) and Caro (Hamilton), expressed at a Municipal Association Conference in 1944.

13.3 The worth of these opinions should be discounted, particularly bearing in mind that in the twenty to forty odd years that have passed since they were spoken the number of councils using systems other than unimproved value shrunk from 160 down to 70 at 1963 as result of ratepayers' polls and the number rating unimproved value rose to 218. After such long periods the persons quoted could have changed their minds as ratepayers evidently have in many places.

14. The Clark Report did not mention the findings of the much more recent Local Government Commission sitting as a Committee of Inquiry into rating in counties, whose report was presented in 1956 after investigations extending over 18 months and whose recommendations included the following :

1. That there be one universal system of rating applicable to both territorial and ad hoc local authorities.
2. That this system should be based on site values.
3. That the Valuation Department should revise site values every two years capital values every six years.
4. That the local authorities at present operating on Annual Value be given the option of either a period of five years in which to make the change over to Site Value or seek special legislation to continue rating on the Annual Value until the ratepayers carry a poll for a change to site value.

The recommendations have not yet been implemented but are clearly relevant to an objective treatment of the subject especially since Auckland would be directly affected by them,.

14.1 They are also relevant to the remarks by Mr. J.W. Kealy S.M. in the Auckland Land Valuation Court as quoted by Mr. Clark. These are clearly directed - not as an attack on the principle of unimproved value rating - but against the unreasonable difficulties placed in the way of valuers in applying the unimproved value principle and for which the Local Government Commission proposals were the answer. This has direct relevance to the current Commission also, since the concept of "site value" mentioned in the second recommendation was broadly similar to that recommended by the Bridge Committee in N.S.W. and being sought in the N.S.W. Valuer General's submissions to the Commission.

15. Personal observations (as result of a visit to New Zealand) bearing on matters in the Clark Report.

15.1 Shopping Centre Surveys

My visit to New Zealand was for holiday purposes over two months from December 1964. However, the opportunity was taken to make surveys of the shopping centres of Auckland and Wellington, on lines similar to those for Australian towns and detailed in the article " Shopping Surveys in Five States ", published in " The Valuer ", July, 1959, of which reprints were included with our main submissions as Appendix "J".

- 15.2 These surveys required classification of the shops individually as "Modern," "Semi- Modern", or "Obsolete", according to whether they show both, one only, or none of two simple criteria or stages of modernization. These two criteria are (a) cantilever awnings or verandahs (or at least a horizontal plane lined ceiling without supporting pillars) and (b) metal framed shop windows as distinct from wood or stone.
- The percentage found in these classifications covering 704 shops in Wellington and 908 shops in Auckland were as shown below :

Centre	Percentage Classification of Shops				
	Modern	Semi-Modern	Obsolete	Total	City Overall Average
	%	%	%	%	
Auckland	53	27	20	100	66.5%
Wellington	70	18	12	100	79

The final column gives an overall figure for the degree of modernization of the centre as a whole comparable to those of Australian towns. It is the "modern" percentage plus half the "Semi-modern" percentage since this has only one of the two stages of modernization concerned. The methods used are described in greater detail in the article mentioned.

- 15.3 Wellington's proportion in the "modern" class is one-third greater than Auckland's and its proportion of "obsolete" about one-third less. These observations cover the end results of the practice over sixty odd years of opposite policies by these two cities. In the case of Wellington improvements have been first partially and later (from 1928 onwards) completely rate free. In Auckland they have been rated over the whole period.

- 15.4 Problem Areas - My personal observations were that a definitely decadent commercial section had developed in Auckland, particularly centred around Victoria and Hobson Streets where about half the shops were in the "obsolete" class with little evidence of regeneration. Photographs were taken of this area on slides which could be shown to the Commission if desired. I was unable to find an equivalent area in Wellington, the nearest approach to it being Molesworth Street, with about one-quarter of the shops in the "obsolete" classification. My impression was that Wellington did not have this problem because the knowledge that improvements would be rate-free had a psychological effect which encouraged private regeneration. On the other hand Auckland's rating of improvements had produced progressive deterioration to a point where a major redevelopment problem had developed. In this respect my observations do not support the statement in the Clark Report that :

" there appears to be no evidence to prove that development within the city area has been restricted under the present rating system, or that the existing problems are the outcome of that system, or that they could be overcome more readily by a rating levy on unimproved values ".

- 15.5 In my opinion, the fact that such a problem has developed in Auckland as indicated in my observations above is such evidence. It is confirmed by the fact that Mr. Clark admits the existence of the problem but sees no remedy for it except financial handouts from the central government to enable the council to purchase the land, clear it, and sell it at a loss to redevelopers. Unimproved value rating would be a material factor in overcoming the problems more readily even if for no other reason than that it would make the land in this problem area available for purchase and re-development at lower price than in the absence of this penalty on under-use. Proof that the land would be cheaper is seen in the figures already quoted in paras. 11.9 and 11.11 for the difference between the two cities for value in improvements per £100 of unimproved value. Part of the superiority shown by Wellington over Auckland for this key item is due to the lower price level of land in Wellington due to the rating system. The latest unimproved value figures available to us for the two systems are for Auckland, £122,396,000 and for Wellington, £74,877,000. The lower land price, and the lower annual rates attracted by investment in improvements - which are both linked with the rating on unimproved values - are controllable elements which promote re-development.

THE AUCKLAND POLL AND VALUATIONS

- 16.1 It will generally be agreed that, if it is considered worth going to the trouble and expense of taking a poll of ratepayers to decide which system they prefer to be rated under, ratepayers should be given the basic information needed to make their decision a sound one. The elementary and indispensable requirement for this is that the ratepayers know with certainty before voting what their comparative payments under the two systems would be. To achieve this there are two essential conditions to be fulfilled as set out below.

16.2 Essential Conditions for a Sound Decision at a Rating Poll are :

1. Each ratepayer eligible to vote must be provided before the poll with an official advice for each individual property, showing the comparative rate payments on it under the two alternative systems, so that he knows with certainty how his payments will be affected by the way he votes ;
2. The Unimproved Value and Annual Value figures used to compute these rates must have been determined simultaneously by the same valuer as part of the one valuation for any individual property to give a true comparison of the rates payable under the systems.

The valuations in the various subdivisions should be made in the same year or as nearly together as practicable to prevent anomalies in rates between similar properties in different subdivisions due to differences in date of valuation.

(This last is desirable but not essential and - provided the second condition is complied with - will not appreciably affect the relativity between the systems in rate comparisons).

- 16.3 These conditions are covered very simply at Victorian rating polls. The ratepayer is given a simple statement by the Council concerned, showing the amount of his rate payment under the Annual Value basis and also his corresponding rate payment under the Unimproved Value basis, at the rate per £ or \$ required to return the same total revenue to the Council under both systems. As the purpose of the statement is only to show the relativity between the systems, the general rate alone is used for the comparison since this is payable by all properties. There may also be special or extra rates for other purposes payable by some properties only but the relativity between the systems for these will approximately follow that shown for the general rates. Hence the one simple comparison is sufficient to let the ratepayer know how he stands.

16.4 Auckland Poll Did Not Comply With the Essential Conditions.

Reference to the replies given by the City Valuer and the Unimproved Value Rating Association Chairman to our specific questions shows that the Auckland Poll did not comply with either of these conditions regarded as essential to an informed vote by ratepayers. This will be evident from the following :

Condition (1) : Ratepayers did not know their relative liability

- (i) Auckland City Council did not give each ratepayer a statement showing for each property his comparative payments under the two systems.
(See replies to question No. 4).
- (ii) To get an approximation only to his comparative payments the ratepayer would have to :
 - (a) Find out what the unimproved value of his property would have been at the equalisation date, by special application to the Government Valuation Department (a separate body from the Council) ;
 - (b) Ascertain from the Auckland City Council the equalised rate in the £ of U.V. to return the same total revenue to the Council as under A.V. ;
 - (c) Calculate the rate payable on his property by multiplying the value obtained as in (a) by the rate in the £ as obtained in (b) ;
 - (d) Compare this sum with his current Annual Value rate assessment.

(Note that the equalised unimproved value (a) above is a different value to that shown on the ratepayers' last Government Valuation notice. Those who simply multiplied the figure on that notice by (b) in most of the valuation districts would have got a false comparison. As the brochure distributed by the Council did not mention that ratepayers would need to apply to the Government Valuation Department for this figure few would know to do so).

- (iii) Under these conditions a high proportion of voters at the poll would not have known for certain whether their rates would be reduced or increased by the proposed change nor to what extent. That many were confused on this point can be reasonably inferred from the fact that only 45% of those eligible to vote did so. The City Valuer's reply to Question No. 6 suggests satisfaction with this as a percentage not much less than for Council elections. But if ratepayers knew their comparative rate liability a far greater number would be expected to vote at such a poll than at a non-compulsory council election.
- (iv) There was no irregularity in Auckland City Council not telling ratepayers their comparative rate liability under the systems. They are not required by law to do so as they are in Victoria. This simply underlines the fact that, in this very important respect, New Zealand legislation is deficient in not ensuring that the vital information needed to make an intelligent decision on a matter referred to them for plebiscite is made available to all ratepayers.

16.5 Essential Condition (2) : Valuations Not Made Simultaneously by the same Valuer :

From the answers to Questions 1 and 2, it is seen that the vital requirement for true rate comparisons between systems - that all the inter-related values (Unimproved, Capital and Annual) must be taken out together at the same time by the same valuer as part of his complete valuation - was not complied with. Unimproved and Capital Values were determined together by the Government Valuation Department but the Annual Values were determined at different times by the Auckland City Valuer.

16.6 Recognition that dual valuation authorities produce relative injustice in treatment of ratepayers is one of the main factors which have led both in New Zealand and Australia to the establishment of Valuer-General Departments, to ensure that all the inter-related values are determined at the one time by the one valuation authority for all rating and land taxing purposes.

16.7 An approximate idea can be given of the error due to these dual valuation authorities in the case of Auckland. The law requires that the Annual Value of any property for rating must not be less than 5 per cent of its fee simple, which is determined together with the Unimproved Value by the Government Valuation Department. Where the Annual Value determined by the Council is less than this percentage the dual valuations are out of step. The difference between the lower percentage figure for a particular valuation district and this minimum 5.0 per cent enables an estimate to be made of the extent to which the common rate in the £ over the whole city would overstate the true U.V. rate due to the valuations being out of step. (This follows because the C.V. and the U.V. are valued simultaneously by one authority and the out of step effect for U.V. will be proportionately the same as for C.V.) The results are shown in the following table :

Valuation District (1)	Percentage Annual Value to Capital Value (2) #	Per cent by which the common rate over the whole city would overstate the true U.V. rate. (3)
	%	%
City, Eden Terrace	6.5	-
Epsom	5.2	-
Ponsonby	4.9	2.0
Point Chevalier	4.6	8.6
Avondale	4.5	11.1
Parnell	4.5	11.1
Grey Lynn, Arch Hill	4.4	13.6
Tamaki, Orakei	4.2	19.0
Remuera	4.1	22.0

The figures in column (2) were contained in analysis of the Auckland poll results supplied by the Unimproved Value Rating Association in 1963.

16.8 For the last six of the nine entries the U.V. rates would be overstated by amounts ranging from 9 to 22 per cent. The overall effect of this difference in valuation period would be to understate the truly comparable U.V. rates on city properties and overstate the U.V. rates on the residential areas at this time. A year or two later it could be different valuation districts with the out-of-phase effect.

16.9 This large potential error in comparing the systems would have been almost non-existent if both Unimproved and Annual Values had been determined simultaneously by the same valuers, even though the valuation districts were still valued over a five year cycle. Even though valuations in some of these districts were made at different years to others both Annual Values and Unimproved Values would be affected in about the same proportions and the common rate per £ of A.V. or U.V. over the whole city would give a true picture of the relativity in payments between the systems.

16.10 Under the current conditions, even if Auckland City Council had sought to tell its ratepayers individually how their rates compared under the two systems the probability is that they would have been unable to determine it so as to show the true relativity between the systems. Indeed the Council recognised this and said in the information brochure sent to all ratepayers :

" Without a complete re-valuation NO ONE can say precisely what will happen in each individual case ". (Council emphasis).

- 16.11 Sometimes councils resist surrender of their independent valuation powers to the uniform authority for prestige or other reasons. Presumably the fact that Auckland City (and possibly the 12 other New Zealand councils still rating improved annual rental value) is still allowed to make independent valuations is part of this process.
- 16.12 Even though municipal councils in Victoria opposed proposals to transfer their valuation powers to a General Valuation Authority - and still retain them as agents under the co-ordination of the Valuer - General - they have all been required to take out these three related values themselves as part of their complete valuation where needed. If they have not got them already they must conduct a special valuation to find all simultaneously.
- 16.13 It is not our province to say whether New Zealand valuations should be undertaken for all councils by the Valuer General's Department or whether the Auckland City Council and others should be allowed to make their own valuations. But it is unquestionable that whichever valuation authority does the job it alone should make all the valuations within its territory - - unimproved, capital and annual rental value, simultaneously.

A. R. Hutchinson,
Hon. Research Director.

32 Allison Avenue,
GLEN IRIS. Victoria.

TABLE NO. 1.

Showing how the correction of the nominal 1949/50 Valuations was worked out to find the real figures by adding to the nominal (pre-war) figure the pro-rata share to 1950 of the increase between pre-war and post-war valuation.

Valuation District		CAPITAL VALUES (£000's) #				UNIMPROVED VALUES (£000's) #			
		1949 / 50		1952/53	Interval in years and increase	1949 / 50		1952/53	Interval in years and increase
		Nominal	Real			Nominal	Real		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>These require the correction year</u>									
City	valued	(1940)		(1953)	(13 years)	(1940)		(1953)	(13 years)
	Valuation	23, 467	)	60, 088	36, 621	11, 332	)	26, 610	15, 278
	Add 9/13x(6)	25, 342	) 48, 809	-	-	10, 572	) 21, 904	-	-
Grey Lynn	yr.valued	(1938)		(1951)	(13 years)	(1938)		(1951)	(13 years)
	Valuation	3, 281	)	7, 895	4, 614	966	)	1, 836	870
	Add 11/13 x (6)	3, 903	) 7, 184	-	-	736	) 1, 702	-	-
Avondale	yr.valued	(1939)		(1951)	(12 years)	(1939)		(1951)	(12 years)
	Valuation	2, 540	)	7, 478	4, 938	481	)	1, 617	1, 136
	Add 10/12 x (6)	4, 113	) 6, 653	-	-	946	) 1, 427	-	-
Epsom	yr.valued	(1938)		(1951)	(13 years)	(1938)		(1951)	(13 years)
	Valuation	3, 076	)	7, 490	4, 414	1, 054	)	2, 183	1, 129
	Add 11/13 x (6)	3, 734	) 6, 810	-	-	955	) 2, 009	-	-
Remuera	yr.valued	(1938)		(1952)	(14 years)	(1938)		(1952)	(14 years)
	Valuation	7, 108	)	19, 772	12, 664	2, 167	)	5, 553	3, 386
	Add 11/14 x (6)	9, 950	) 17, 058	-	-	2, 660	) 4, 827	-	-
<u>These do not need the correction</u>									
Ponsonby	yr.valued	(1950)							
	Valuation	5, 562	5, 562	-	-	1, 750	1, 750	-	-
Parnell	yr.valued	(1950)							
	Valuation	2, 990	2, 990	-	-	1, 016	1, 016	-	-
Arch Hill	yr.valued	(1949)							
	Valuation	657	657	-	-	180	180	-	-
Eden Terrace.	yr.valued	(1949)							
	Valuation	628	628	-	-	199	199	-	-
Point Chevalier	yr.valued	(1950)							
	Valuation	3, 296	3, 296	-	-	644	644	-	-
Orakei	yr.valued	(1949)							
	Valuation	2, 067	2, 067	-	-	565	565	-	-
Tamaki	yr.valued	(1950)							
	Valuation	6, 486	6, 486	-	-	2, 082	2, 082	-	-
Totals	(Uncorrected)	61, 158				22, 436			
Totals	(Corrected)		108, 200				38, 305		

Rateable Values.

TABLE NO. 2.

COMPARATIVE GROWTH STATISTICS OF AUCKLAND & WELLINGTON

Statistics are from New Zealand Local Government Handbooks or Statistical Bulletin issued by the Department of Statistics.

Handbook & Year statistics at 1st. April.	Year Valued	Area Acres	Population	Number of Assessments	Rateable Valuations (£000's)			Improvements Value per	
					Capital Value C.V.	Unimproved Value U.V.	Improvements Value	Assessment	£100 of U.V.
(1) <u>AUCKLAND</u>	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
No.2 - 1927	1922-24	8592	90,140	18737	39,304	19,831	19,473	£ 1039	£ 98
No.5 - 1928	1922-26	18162	100,900	25787	44,335	21,734	22,600	876	104
No.16 - 1940	1938-40	18253	106,600	27536	46,624	20,188	26,436	960	131
No.26 - 1950	1950	18253	143,300	31685	108,200#	38,305 #	69,895 #	2206	182
No.29 - 1953	1949-53	18253	131,400	33485	126,577	44,370	82,207	2455	185
59/60 - 1960	1956-59	18493	141,900	38946	213,051	80,774	132,277	3396	164
64/65 - 1965	1960-65	18253	147,900	42068	297,045	122,396	174,649	4152	143
<u>WELLINGTON</u>									
No.2 - 1927	1921	16180	98,893	24967	34,144	15,212	18,932	758	124
No.5 - 1929	1929	16180	105,400	25625	50,604	22,789	27,815	1085	132
No.16 - 1940	1935	16289	123,200	27920	47,076	18,378	28,698	1028	156
No.26 - 1950	1949	16289	135,600	30596	73,089	24,344	48,745	1593	200
No.31 - 1955	1955	17789	128,600	32759	133,924	38,863	95,061	2902	245
59/60 - 1960	1959	18226	123,000	34386	172,958	50,334	122,624	3566	244
64/65 - 1965	1965	17789	126,700	36780	238,708	74,877	163,831	4454	219

Years shown for Wellington are those in which general revaluations were made.

Local Government Handbook figures for intervening years would be unreliable.

Auckland is valued progressively in 12 Districts some being done each year over a five-year cycle.

Auckland's 1950 Valuation figures are the corrected ones as in Table 1, and not the pre-war figures shown in the Handbook.

RATE - EXEMPT PROPERTIES

The values quoted in Tables 1 and 2 and in the text of the submissions are rateable values only. There are in addition Government, Church and other rate-exempt properties of which the totals for the two cities are set out below :

	C.V. £	U.V. £	Improvements. £
Auckland	37,293,000	16,277,000	21,016,000
Wellington	37,692,000	11,639,000	26,053,000

COPIES OF QUESTIONNAIRE AND REPLIES
DEALING WITH AUCKLAND RATING POLL.

Text of letters dated 10th. February, 1966, from Land Values Research Group, to the Town Clerk, City of Auckland, New Zealand, and simultaneously to the Chairman, New Zealand Unimproved Value Rating Association (Inc.)

In November, 1962, a poll of ratepayers was taken in Auckland on a proposal to change from rating the Annual Rental Value (Improved) to the Unimproved Capital Value but was heavily defeated.

The margin of nearly 8 to 1 against change is far higher than has ever been experienced in Australia where such polls are usually carried or if unsuccessful are relatively close. Hence it seems likely that some at least of the conditions for taking such polls must be different in New Zealand to those in Australia.

We would like to compare the conditions as they applied to Auckland with those applicable here so that we can understand the reasons for the difference in the results. We would therefore be grateful if you could supply the answers to the following questions so far as they relate to the Auckland poll or conditions.

1. Were the unimproved and annual rental valuations made by the Auckland Council or by the Valuer General ?
2. Were they both made by the one valuing authority or was a different source involved for each ?
3. Were the valuations made simultaneously or, if not, what would have been the interval between them ?
4. Victorian practice is to send ratepayers a statement before the poll showing the comparative rates payable on their property under the two systems to return the same total revenue to the council. Did Auckland ratepayers receive such comparative statements before voting ?
5. If comparative statements were not sent out how would a ratepayer desirous of knowing his relative liability under the alternative systems find this out ?
6. Victorian practice requires that at least one-third of those entitled to vote must do so for a poll to be effective - what is the proportion required for Auckland ?
7. What proportion did the total votes recorded at the Auckland poll represent to the total entitled to vote ?

Trusting for your co-operation in supplying this information,

A. R. Hutchinson,
Hon. Research Director.

TEXT OF REPLY DATED 15th. FEBRUARY, 1966 FROM THE
CITY VALUER, AUCKLAND CITY, NEW ZEALAND.

I have been requested to answer your letter dated 10th. February, 1966, addressed to the Town Clerk, regarding the above poll of ratepayers.

The Rating Act 1925 requires that before the rating system of a district can be changed from Annual Value to Unimproved Value, not less than 15% of the ratepayers must demand a poll. A petition containing 6849 valid signatures was presented to His Worship the Mayor on 29th. October, 1963. The poll was held within the statutory period of 42 days on the 7th. December, 1963.

- Q. 1. Unimproved values are assessed by the Valuer General and Annual
 Q. 2. Values are assessed by this Office.
- Q. 3. Auckland's City area was covered by twelve Government Valuation districts which had been revalued at varying dates over a five yearly revision cycle. The revaluation dates of some of the districts coincided with the revaluation date of the Annual Values.
- Q. 5. In order that a valid comparison could be made of the two systems, the Government Valuation Department equalised the total unimproved values of the City area, which permitted the computation of a rate in the £U.V. which would return the same total revenue as Annual Value.
- Q. 5. In those districts where the revaluation date did not coincide with the equalisation date, the Government Valuation Department, upon application, advised ratepayers what their unimproved values would have been at the equalisation date.
- Q. 4. # Brochures were sent to all ratepayers by Council, one prepared by Council and the other by the Association sponsoring the change. Copies of these brochures are enclosed.
- Q. 6. There is no minimum number of voters to determine the effectiveness
 Q. 7. of a poll but in the Auckland poll approximately 45% of those eligible voted, a percentage almost as high as for the triennial elections for Council.
- Ø I should point out that in Metropolitan Auckland all three rating systems - Annual, Capital and Unimproved, are used at present, so that Auckland City ratepayers were able to make a comparison with districts rating on Unimproved Value.

If you should require any further information I should be happy to afford any possible assistance.

Hugh M. Dodd,
City Valuer.

- # Q. 4. Although this question was not referred to directly above, it is seen from the brochures that the reply is "NO" since the Council brochure states "without a complete revaluation NO ONE can say precisely what will happen in each individual case". Hence the basis does not exist to enable individual comparative statements to be sent to voters as with Victorian practice.
- Ø This refers to general development and not rate comparisons.
 (The question numbers and footnotes do not appear in the original, but have been added to identify the answer with the question and to clarify the meaning).

TEXT OF REPLY DATED 22nd. FEBRUARY, 1966, FROM THE
CHAIRMAN, NEW ZEALAND UNIMPROVED VALUE RATING
ASSOCIATION (INC.) G.P.O. BOX 951. WELLINGTON.

Thank you for your letter of February 10 containing your Questionnaire about the Rating Poll in Auckland City on December 7, 1963.

My answers are as follows : -

- Question 1. Unimproved Values are determined by the Valuer General. and Annual Rental Values by the Auckland City Council.
- Question 2. See above.
- Question 3. The Unimproved Values in any area are determined every five years, but not all areas are valued at the same time. In Auckland City about one-fifth of the city area is valued annually, so at any time some values are recent and some may be as much as five years old. The law requires the Annual Values to be determined triennially. I understand this is not always strictly observed.
- Question 4. There is no provision in New Zealand law for the Local Authority to notify ratepayers the amount of their rates under the different rating systems when a Poll is being held to adopt or abandon rating on the Unimproved Value.
- Question 5. A ratepayer can tell how he will be affected by such a change only by finding out the Unimproved Value of his property and making a calculation from the information made available to him by the Local Authority as to what the rate in the pound would be under the new system. There is no legal obligation for the Local Authority to make this information available, but it always is.
- Question 6. In New Zealand there is no such provision. A bare majority of the votes cast is all that is needed to carry a Poll.
- Question 7. I have no reliable information on this point.

R. O'Regan.
Chairman.