

8th June 2007



mobile 021 866 944 | phone 07 870 6170 | fax 07 870 6177
email vance@winiata.co.nz | web www.winiata.co.nz
PO Box 421, Te Awamutu 3840

The Rates Inquiry Panel
P O Box 10 916
The Terrace
WELLINGTON

Via email : info@ratesinquiry.govt.nz

Kia ora koutou e rangatira ma

Tēnā rawa atu koe i runga i ō tātou tini aituā, o ia marae, kua whetūrangitia.
Kei te mihi atu, kei te tangi atu.
Rātou te hunga mate ki a rātou.
Tātou te hunga ora ki a tātou.
Tēnā anō tātou katoa.

SUBMISSION OF VANCE M WINIATA
IN REGARD TO THE LOCAL GOVERNMENT RATES INQUIRY – March 2007

"Toitu te whenua whatu ngaro ngaro he tangata".

"The land remains, while man disappears".

May it please the Inquiry Panel:

1. Introduction:

- 1.1 This submission has been prepared and is filed by Vance Winiata, Registered Property Valuer of Te Awamutu.
- 1.2 This submission is in response to the Minister for Local Government setting up an independent Inquiry into the funding of local government and the objective of the Inquiry to consider issues relating to local government rating and giving special attention to the impact of rates on Maori Land.

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1.2.1 I request the Inquiry Panel consider the following four issues relating to current government rating and in the revenue raising mechanisms of local authorities :-

- (i) The definitions of Land Value and Capital Values
- (ii) The definition of Market Value and its application to Rates assessments.
- (iii) The correlation (or lack of) the basis of assessment and application of rates.
- (iv) The efficiencies (or possible inefficiencies) in the local Government organisational structure and Maori representation on Council.

1. The definitions of Land Value & Capital Value.

The definition of Capital Value, Land and Land Value is described in Section 2 – Interpretation of the Rating Valuation Act 1998. It would be fair to say, the majority of rates are assessed against either the 'Land Value' or 'Capital Value' of a property.

I consider this basis of assessment to be inconsistent amongst property types and unfair to Maori Land owners.

The Rating Valuations Act 1948 makes special mention to land subject 'trees and minerals' (Section 20) and land subject to lease (Section 21) – whereby, the provisions or circumstances of a lease (for example) or circumstances particular to the property concerned that do not reflect the prevailing market conditions at the date of valuation are to be disregarded.

I also note the basis of determining varying property types as 'Special Rateable' values has only recently (since the 1998 Act) been repealed.

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The concern being that if there was a special rateable value for properties such as multi unit housing, industrial, commercial or rural – then, why was Maori Land also not given a similar practical application.

My understanding of the intention of special mentions or values is for Local Authorities to seek to preserve uniformity with contemporaneous roll values – as such establishing ‘comparable parcels of land’. I note the Rating Valuations Act does not appear to mention such basis of assessment to be applied to Maori Land.

As such I believe the assessment of either ‘Land Value’ or ‘Capital Value’ of Maori Land for the purpose of rate setting must take into account circumstances particular to the property.

The most apparent circumstance in regard to ‘Land Value’ or ‘Capital Value’ of Maori Land is the restrictions of saleability whether it is Maori Freehold land or General land owned by Maori. In both situations, the general non saleability of the land impacts on its perceived ‘modern day’ monetary value.

The traditional or tikanga value is viewed somewhat differently. Land provides iwi with their sense of identity, belonging and continuity. It is the people’s link with their iwi and as tangata te whenua of the land. Maori land represents turangawaewae.

Land is not seen as a tradable commodity. In this context I am referring to the assessment of ‘Market Value’ in determining Land or Capital values.

2. The definition of Market Value and its application to Rating Values.

There are varying definitions, however, the commonly understood application of Market Value is :

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“ Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm’s length transaction after proper marketing wherein both parties have acted knowledgeably, prudently and without compulsion.

The concept of Market Value reflects the collective perceptions and actions of a market. Market Value is a market supported estimate. Value is the estimate of the most likely price that will be paid of the property at a given time.

General revaluations are assessed on a mass appraisal basis. This is on the notion of information and analysis of known market sales evidence considered to have features comparable to the property being assessed.

To this end, I consider the depth of evidence to be too shallow in assessed a value for Maori Land given the limited (if any) comparable ‘sales’ evidence. Applying an adjusted analysis to take into account special measures of the property becomes very subjective and may distort the property’s true market value.

3. The basis of assessment should be relevant to the use of rates.

In short, it is my understanding is that Local Authorities collect rates to fund local government activities.

Such activities may be for the development and maintenance of community utilities such as reticulated sewer and water, carriageways, recreational facilities and places of public use (such as libraries, pools and common use areas).

As such I consider, the assessment of rates should be in direct relation to the purpose to which they are applied.

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The interrelationship of the various factors such as utility, scarcity, desire and purchasing power associated with a property in determining Land Value or Capital value has little bearing in the usage of a Local Government utility.

For example a single dwelling owner of an up-market property is likely to place far less demands on the local infrastructure to (say) a large family of occupying a modest to lower 'value' property. Yet, in this situation, the single dwelling owner will pay a far greater 'levy' or 'tax' against their property representative of their rates assessment.

Similarly, the occupants of multiple owned Maori land which may be coastal land offering seclusion, private beach frontage and panoramic views have a different utility value as opposed to a developer of the same land.

To this end, it is my view the assessment of rates should be in direct relationship to the infrastructural assets that serve your property taking into account the habitation.

A suggested alternative to raise rates may be to apply a 'User Pays' basis or move the liability of raising rates away from local residents to a centralised source via increasing Goods and Services Tax.

This suggestion removes the burden of unreasonable (high) ongoing costs necessary in small rural communities where the population of such areas is relatively small in numbers and limited growth. In cases, it is also 'outsiders' or non-locals who impact on the bulk 'wear and tear' of the community utilities such as 'through traffic' or seasonal occupants.

4. A review of Local Government organisational structures.

A number of Maori Authorities / entities have transitioned themselves in the form of Incorporations and Trusts seeking to improve their responsiveness to the market and

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shareholders. This is ongoing and a major review of such organisations is current in Bill form (Waka Umanga bill).

Like the restructured various central Government departments in the late 1980s and early 1990's under the State Owned Enterprises Act, I feel it is time to apply this review against Local Authorities.

Local Authorities need to demonstrate improved performance in respect of Local Government trading activities.

This may involve separating Governance and Management to provide better accountability, transparency and reporting. The summation of this approach being better efficiencies which in turn better represent constituents at less cost.

In addition, the centralising at the Regional level in the avoidance of duplication of costs of Governance and Management should be considered. I would also like to take this opportunity to extend my vision to the implementation of Maori representatives in all Local Authorities and or a 'Maori Ward' with the districts. This will assist such organisations with access to a better understanding and appreciation of matters pertinent to Maori where necessary.

Nō reira, e te rangatira, kāore e kume roatia te kōrero, heoi anō, noho pai mai i roto i ngā manaakitanga katoa.

Nāku iti nei, nā

A handwritten signature in black ink, appearing to be 'Vance Winiata', written in a cursive style.

Vance Winiata
Registered Property Valuer
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