

With the compliments of -

The
"LAND" RENT FOR REVENUE & JUSTICE

Association (International) *

Pay for what we Hold or Take, not what we Do or Make

*Private Enterprise must not include private ownership of the elements of life.
Free trade must not include the freedom to 'invest' in owning others' natural resources
which should rightfully be their source of revenue. Socialised Rent promotes "Free Trade"
in the products of labour, without the constraints of "land" price.*

1.11.17
9-9-97

PROFILE

- Affiliate of the International Union promoting the historic perceptions of Henry George, 1879 – *that all progress (growth) is created by labour but is captured in land price.* Subversion of his classic "*Progress and Poverty*" is the cause of the global meltdown today.
- Our first name in 1888 was the *Anti-Poverty Society* with Governor Sir George Grey as an early President.
A later President was Justice P.J. O'Regan, ex M.P. for Buller, in the Parliament that initiated Land Value Rating, 1893 / 6.¹
He was followed by Rolland O'Regan, FRCS, as Chairman of the *Land Value Rating Assn*².
- In 1997 the name was changed, and the focus widened
 - to identify all public and private property.
 - to distinguish public ownership, from the private operation, of natural monopolies³, with environmental constraints.
 - to socialise the Rent from public property.
 - to relieve wages of GST and other taxes.
 - to establish a level playing field for the free market, so that all benefit rather than be robbed by it.
 - to establish the integrity of the currency.
 - *to resolve the underlying cause of poverty, and the rich/poor divide.*
- Land price privatised is the cause of the problem.
Land price Socialised is the cure⁴.
There is no alternative !

That is the Constitutional & Human Rights issue of this age.

¹By 1982 Land Value Rating had been adopted by poll in 90% of municipalities and accounted for 80% of Local Govt. revenue.

²On the evidence Rolland proposed that Land Value Rating be made mandatory and that the Land Tax be applied to Regional Govt. infrastructure, thus separating those charges from the income taxes of the Socialist Nanny State. A bloodless revolution democratically achieved. This was subverted by the ideological opponents. (Refer "A Short History of the N.Z. Association – website). Their aim is to promote and privatise "land" price!

³Natural monopolies are rights to land, water, airwaves, minerals, fisheries, hydro –power generation and supply, any public utility such as a port, airport, or the monopolistic rights to reticulate wires, pipes, rails, roads, and the like; even the right to pollute.

⁴Credit Crunch – The Cure – website.

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ECONOMICS IN ONE LESSON

- A. All progress and increased productivity is created only by labour. It is nevertheless captured, and anticipated, in the price of land, natural resources and natural monopolies¹. i.e. by private ownership of 'The Economy'.

'Progress' includes – technological invention, education, **population**, free trade and competition, tax cuts, which increase disposable income, location, climate, pressure of population and any other trade advantage.

- B. The effects of this are

1. (i) a minimum is left for wages, which generally will never be enough to meet all personal responsibilities. In fact the speculative tendency means labour has to borrow to survive and will never properly share in 'growth in the economy'.
 - (ii) a tax on wages reduces wages still further and can never be enough to compensate the low wages and to meet social responsibilities.
 - (iii) the basic disparity between rich and poor – those who own "The Economy" and those who create it.
2. Private ownership of natural resources becomes a misdirected (wrongful) form of 'investment' (the underlying cause of the recent Asian contagion and the cycle of boom and bust). This malpractice –
- (a) Generates a largely tax-free capital gain, so increasing wealth disparity.
 - (b) Generates inflation, further increasing the disparity, in terms of asset values. Natural monopoly rights have no labour content. They are not commodities like goods and services and should not be part of the exchange process. Including them distorts the currency. The CPI analyses the relative rise in wages and prices, as though they were in conflict. In fact wages are prices and prices are wages. The misleading comparison ignores the currency inflation caused by the "non-tradeable" (unearned) rogue factor.
 - (c) Deprives production of the capital it needs and confuses the role of the stock exchange.
 - (d) Encourages trading and speculation in the ownership rights rather than in their optimum use. This is the cause of unemployment. **Every person engaged in using natural resources (primary industry) generates 7 more jobs downstream. Another 25, 000 employed in farming (say organic), fishing, forestry, mining, building, transport and infrastructure would generate jobs for another 175,000.**

This misdirected (wrongful) form of investment is assisted by cheap money i.e. low interest rates and Reserve bank credit.

Capital should be savings made from wages so that interest rates and wages run in tandem. Interest on 'capital' derived from 'land investment' is really rent. This distorts the share market and confuses the problem¹. Labour should be the generator and owner of capital.

- C. The "estate in fee simple" title generated by the Crown, under which land is held not owned by definition implies an obligation. Fee is a derivation of fief or trust originally granted by the King to certain Barons in return for services to be rendered in times of battle, on demand, or on state occasions – an acknowledgment of the trust. The "estate in fee simple" is essentially a holding on trust, without specified obligations, conditions or terms i.e. an open-ended leasehold which can be inherited without constraint. So the Crown owns the land & should collect the Rent. (Refer "Land Title").

When we allow private property in what is really public property (resource rent) we then have to condone making public property (taxes on wages and interest) in what should be private property.

Law and morality should reinforce each other. Giving the force of law to that which would be wrong as between individuals (theft and misappropriation) brings the law into disrepute and contempt. This conflict and the man-made authority of law over morality corrodes the rest of the social fabric.

¹The "Corruption of Economics" by Dr Mason Gaffney, Prof. Of Economics California University, examines the intentioned confusion of "land" as capital over the last 100 years or so. Consequently some "interest" is really rent. Under a system of Resource Rentals, in Accountancy also, "land" would not be a capital asset.

Taking Resource Rentals for revenue *in lieu of taxes on wages and savings*, taxes resources into use instead of pricing them out of reach. This generates employment, raises wages and generates true capital for productive purposes. Collecting the revenue is certain and simple. It is the only way to ensure the advantages of

- TRUE EQUALITY OF OPPORTUNITY – A LEVEL PLAYING FIELD¹
- THE FREE MARKET AND PRIVATE ENTERPRISE
- FLEXIBILITY FOR INTERNATIONAL FREE TRADE, WITHOUT THE BIND OF A CAPITALISED LAND PRICE, MORTGAGED²
- COOPERATION BETWEEN LABOUR AND MANAGEMENT
- PRIVATE PROPERTY AND LIMITED GOVERNMENT – Charter Schools For All

It is the only way to share “growth in the economy” by way of UBI (Universal Basic Income) or national dividend.

IMPLEMENTATION MAY BE ACHIEVED BY:

- (a) Land Value Rating for Local Govt. Under Capital Value every nail, screw & dollar attracts a penalty. With Land Value the only penalty is under-use (Refer Local Govt. Reform.)
- (b) Letting or leasing the private operation of any natural monopoly or community – owned infrastructural utility built up over time from taxes, such as rail, and on a competitive basis for such as Telecom. The state must own the local loop and the airwaves, & lease it to private operators at market rentals.
- (c) Granting a reviewable licence, allowing the private investment of capital to run defined operations such as fishing, and to finance state channels for radio and TV.
- (d) Establishing elected Regional Power Boards (as part of Regional Infrastructural reform). We don't need four tiers in the supply chain when two would do – maintenance and lower prices, not legal expenses and dividends. Regional Authorities should reticulate roads, rails, pipes, wires, ports, airports, airwaves and charge operators a market rental.
- (e) Extending the Crown and Public Body Leases Act as already applies to land.
- (f) Using a variety of techniques to ensure private security in the operation, and the community's interest in the ownership of the asset or natural resource. e.g. any lease or licence may include covenants requiring compliance with environmental constraints, and also protecting the lessee from maverick bureaucrats. i.e. the rights and responsibilities of both parties. A Resource Rent for a Resource Consent.
- (g) Using the proceeds first to abolish GST, then to accommodate those unfairly caught in the transition.
- (h) ALLOWING ANY RESOURCE RENTAL AS A SET-OFF AGAINST OTHER TAXES
i.e. an imputation tax credit. This avoids the claim for compensation and resolves a misapprehension of ‘property rights’. The true basis of private property is labour. In this the worst offender is Income Tax. Setting off net ‘investment’ costs against other income, subsidises the socially destructive process that farms inflationary, tax-free capital gains, at the expense of the wage and salary taxpayer. Set-off can just as well be used to recover public property in natural monopoly rights to benefit the same taxpayer – a mere reversal of the capital gains dispensation. In any event it is not possible to buy a valid title to stolen property or to buy out others' natural rights.
Whilst the change for a few would be a disadvantage, for many it would be neutral; for the majority it would be an advantage.

The Messianic affirmation (Luke 4:19) of the Mosaic Law, (Lev25:25) “Your land must not be sold on a permanent basis, because you do not own it, it belongs to God and you are like foreigners who are allowed to make use of it, “& the promise of fulfilment (Matt 5:17) –

- Henry George (“The Prophet of San Francisco”) “Progress & Poverty” – Socialise the Rent
 - Sir Kenneth Jupp / Judge of the British High Court, Bible scholar in Hebrew & Greek “Stealing Our Land.”
 - The TWG (VUC Tax Working Group) Report – ie Land Tax set off against income tax.
- Protection or Free Trade” – Henry George

P & P Bk III Chapter V

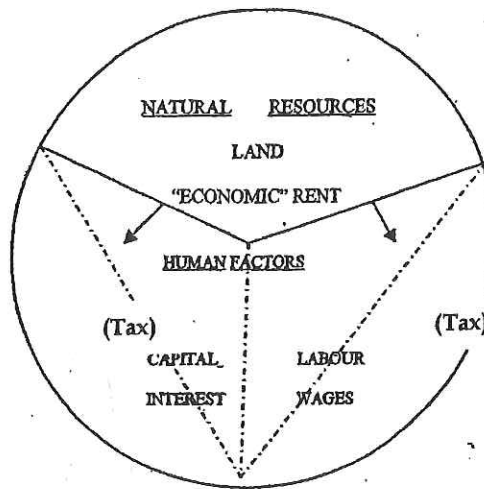
Wages

Earn it

Spend it

Save it

Invest it (interest)



**WAGES & INTERES
SHOULD MOVE
IN TANDEM**

THE DIAGRAM SHOWS:

1. The three factors of production - **LAND, LABOUR** and **CAPITAL**, and the returns therefrom viz - "**LAND**" - being all natural resources and natural monopolies, the Rent for which is currently capitalised into a purchase price. By definition the payment should be annualised in favour of the owner, viz the Crown.

"**LABOUR**" - being all human economic endeavour whether of brawn or brain, for which Wages are paid.

"**CAPITAL**" - *essentially savings from wages used by Labour to make it more productive.*
Labour should supply Capital and reap the rewards, by way of Interest and better wages. In fact, Capital is currently supplied by the recipients of (economic) Rent compounding their return. Some "interest" is really Rent. The "Landowner" currently becomes the Capitalist as well. Rightfully the "Labourer" should be the "Capitalist".
2. That the price paid for LAND can only be at the expense of CAPITAL and LABOUR. Under the speculative impetus of freehold tenure it incessantly bears upon them (arrows), with LABOUR in the weaker position. **All progress tends to be capitalised into Land Price.**
3. Increasing the size of the 'cake' does not alter the proportions. If anything, the mere prospect thereof reduces the proportion available to Labour, driving it even to subsistence level.
4. The portions taken by Labour and Capital are even further diminished by taxation.

UNDER RESOURCE RENTAL TENURE THESE PRESSURES WOULD BE REVERSED. LABOUR AND CAPITAL WOULD BE RELIEVED OF TAXATION - RENT IN LIEU, AND THE LEVEL OF RENT WOULD BE NEGOTIATED AFTER WAGES AND INTEREST HAD BEEN DETERMINED.

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27.7.16

LAND TAX

Blast - Off from Set-off

1. Land tax reduces the selling price - by the amount of the charge capitalised at the current rate of interest. Applied progressively it would revert current freehold to leasehold in 5 years.¹
2. Set-off makes it politically acceptable.¹ Other provisions have long been in place to accommodate people in the change without compromising the principle e.g. Rates rebated, deferred, or written - off.
3. At the national level it would be fiscally neutral and allow -
 - a) The **abolition** of GST.
 - b) A progressively higher income tax-free threshold.
 - c) A Universal Basic Income. We would all be on the Property Ladder, instead of taxes on wages.
4. *It resolves the rich / poor disparity; and intergenerational homelessness.*
5. It would stimulate land use, not speculation.
6. This generates employment. Every person engaged in building, transport, (primary industry) generates 7 more jobs downstream.
7. This raises wages accordingly, which then are saved and not wasted on a mortgage.
8. Labour becomes the capitalist, rather than the landowner receiving Rent as well as Interest.
9. A. The savings are accumulated thro' the Banks,
 - in the short term for working capital, Hire Purchase etc,
 - in the medium term for the Share Market, without the rogue factor of land price.
 - in the long term for Superannuation invested in Govt & Local Govt stock for intergenerational infrastructure.

B. Land price is the cause of *underlying* inflation. We now have a land values based currency exacerbated with Fractional Reserve lending.

The Reserve Bank is directed to disregard reference (except obliquely) to *underlying inflation & to monitor the CPI, the effect*. This official rort is designed to protect the sacrosanctity of private property in land.

Money is the measure of goods and services in exchange. When unearned gain from land price is introduced the value of money is destroyed. Removing land price restores the integrity of the currency².

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10. NZ has a unique Land Tax record - & political subversion.

- a) Since 1840 Crown & Public Body Leases².
- b) " 1849 Land Value Rating in New Plymouth.
- c) " 1878 a Govt. Land Tax.
- d) " 1896 Land Value Rating for Local Govt.
- e) By 1960 the whole country could be valued annually by a Govt. Valuation Dept.
- f) By 1982 LV Rating had been adopted by poll in 90% of municipalities & accounted for 80% of Local Govt. revenue.
- g) In 1989 / 90 The New Right Labour Govt. withdrew the right to demand a poll and imposed Capital Value in Wellington, Christchurch & Dunedin - deviously ! This diminished the proportion of L.V. Rating.
- h) In 2009 the Govt. imposed Capital value on the re-structured Auckland City when 5/7 of the components had only ever been on Land Value.
- i) A Local Govt. Commission then & now promotes amalgamation & imposes Capital Value Rating.

11. It is the basis for international free trade.²

12. A. The issue should be taken out of the political arena & made a Constitutional issue.² (The Way Forward²). Legally the Crown owns the land & grants the "fee simple" - an open - ended lease².

B. The Messianic affirmation (Luke 4:19) of the Mosaic Law, (Lev 25:23) "*Your land must not be sold on a permanent basis, because you do not own it. It belongs to God and you are like foreigners who are allowed to make use of it,*" & the promise of fulfilment (Matt 5:17)

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So we have Moses, Jesus, George, Jupp & The TWG².

It's only 400 years ago that Galileo (at his peril) confirmed Copernicus' perception that the sun didn't rise. Likewise private ownership of the earth is not immutable natural law.

¹The TWG (VUC Tax Working Group) Report, prepared by The Policy Advice Division of the IRD and by the N.Z. Treasury.

²Available on request, or on the website - TWG Report & Summary.

The Public Body Leases Act 1969.

Leasehold Tenure, Land Title, Money & The CGS.

A Short History of the NZ Assn.

The NZ Record of LVT - in practice !

Q.V. on the Qui Vive.

The Treaty 1840.

Submissions on Auckland & Local Govt.

"Protection or Free Trade" - Henry George.

Stealing Our Land - Jupp.

The Way Forward - Melbourne 2014.

The Way Forward - NZ 2016.

Our “Christmas Celebration”, Anno Domini 19th Dec 2015, sought to honour (Saint) Henry George (the “Prophet” of San Francisco) for his role in the Messianic promise to “fulfil the Mosaic law” (Matt 5:17 / Lev. 25:23) – not by Nationalising the Land, in America where land was privately owned by conquest, but by Socialising the Rent.

George expressly recognised that elsewhere there were different regimes i.e. in Britain since 1066, and its Colonies later.

Land “ownership” – ower-ship

The “estate in fee simple” title granted by the Crown, under which *land is held*, not *owned*, by definition implies an obligation. Fee is a derivative of fief or trust originally granted by the King to certain Barons in return for services to be rendered in time of battle, on demand, or on state occasions – an acknowledgement of the trust. A mortgage is worded differently from a Hire Purchase Agreement. Attempts to make land title the same as chattel ownership have been found to be impossible, in law. (W. A. Dowe, ~~att’d~~).

About the time of Runnymede (1215) the Barons not only curtailed the King’s tyrannical rule without trial but at the same time entrenched their privilege by satisfying their obligations in other ways e.g. a beer tax, other levies on the poor and later the enclosure (privatisation) of the Commons. This privilege that the Barons arrogated to themselves has become entrenched and fragmented till today it is bought and sold as the freehold title i.e. the right to claim the economic rent, with income and other taxes in lieu, progressively enshrined in law.

The “estate in fee simple” is essentially a holding on trust (leasehold), without specified obligations, conditions or terms i.e. an open ended leasehold which can be inherited without constraint. **So the Crown owns the land & should collect the Rent.**

This basic status readily admits the inclusion of more stringent terms such as Town Planning ordinances, environmental regulations and the like, as terms of the lease which recognise and give effect to the fundamental social relationship – the Crown and the subject; the community and the individual; landlord and the life-tenant.

Environmental constraints should be covenants in the lease, and reflected in the Rent payable to the State. Thus we all share the cost. They are a social responsibility to be enforced, not private property rights to be traded.

Any lease is re-negotiable at any time, whatever the term – 5, 10, 21, 33, 50, 99 years, or in perpetuity. Rent reviews should be every 3-5 years and may go down, as well as up. 21 years is an anachronism. Any lease is usually assignable, with the private sale of the improvements.

Relinquishment or forfeiture is an opportunity to auction the lease rental to be paid as a means of setting the benchmark for other rent reviews. (See Public Bodies Leases Act).

Misperception about leasehold tenure arises because it is relatively uncommon, and is enjoyed without fuss wherever it is in place. Substantial parts of Masterton and Greytown are leased by Trust Lands Trusts with singular acceptance, even modest pride. Many Local Bodies and Central Govt. have inherited harbour reclamations which they lease, Hospital and Education Board leases etc, regulated by the “Public Bodies Leases Act”. The Act is brief and is usually only in the news because the 21 year rent reviews are an anachronism under the impact of inflation – mainly caused by freehold land price!

The same remarks apply to the endowment Melanesian Mission leases of the Anglican Church on the most valuable residential sites in NZ. The leases are bequeathed / inherited and redeveloped.

No Native society tolerates private ownership of the tribal domain.

In N.Z. after about 1835 the Maoris besought the Queen to establish law and order in this “hell hole of the Pacific”. In the 1840 Treaty they had the wit to reject the sovereignty proposed and ceded governance. Any alienation was to the Crown (see website).

Smart developers prefer Council leasehold land because they can then invest more capital in the building. Likewise big transport rigs worth millions are leased by operators, rather than owned.

Leasehold tenure ensures security for the private operation, and for the community's interest in the enduring ownership of its natural resources and natural monopolies¹.

A large part of Wellington waterfront is reclaimed, and leased to developers who invest more capital in the improvements. The rentals make a useful contribution to the city's finances and again, function without murmur.

The Ports of Auckland and other functions are publicly owned and operated under contract.

Queensland, Australia, recently cashed up its infrastructure for the funds it urgently needs for flood damage, and a future income from the leased operations.

In NZ electricity reticulation is public owned on the Kapiti Coast by Electra, and in Auckland 75% by Vector.

The new frontier today is infrastructure, not known 2000 years ago, or even in George's day.

In N.Z. the Govt is progressively privatising 49% (!) of the hydroelectricity companies built up out of taxes. The public are invited to buy 49% (!) of what they already own.

The Local Govt. Commission (an agent for Govt !) seeks to amalgamate local councils, and to impose Capital Value Rating, when by 1982 90% of municipalities had adopted Land Value Rating by poll, accounting for 80% of Local Govt revenue.

The amalgamation is designed to co-ordinate the infrastructure and make it ripe for privatisation.

Land Value Rating impels amalgamation from the centre out, instead of urban sprawl.

The co-ordinated infrastructure should be / is largely owned by Regional Councils, and must remain so.

All the relevant factors came into focus with the Royal Commission on Auckland Governance.

The Chairman's Report (in line with our Submission) was quickly over-ridden by the Govt with its own agenda – above. The Auckland shambles stands as the example of what not to do, and confuses the issues.

All these sporadic failures are resolved with the Constitutional Court Action we propose, distinguishing the ownership of public property from the private operation – here in NZ, “Crucible For The World” – Melbourne '93.

We have long had legislation in place to accommodate anyone unfairly caught in a change without compromising the principle – “The Mechanics”, Sydney, July 2011.

2009 A Victoria University Tax Working Group (TWG) Report could have been written by Henry George. It specifically affirms that a land tax reduces the selling price, (effectively, By the amount of the charge capitalised at the current rate of interest). It cites set-off as the way to make it politically acceptable.

The Report was prepared by – The Policy Advice Division of the IRD & by the N.Z. Treasury.

A progressive Land Tax would revert current 'freehold' to leasehold in 5 years.

(Under the Public Bodies Leases Act the rentals are set at auction).

Funding will come when we are ready to handle it ! And can find someone to mount it without a conflict of interest financially or philosophically.

The Court Action takes the Mosaic Law out of the political arena and challenges all Parties, the Church and Academia.

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The CLOSELY GUARDED SECRET (CGS)

16.9.17

Now we have it -

The Govt. owned Reserve Bank cannot control inflation. In fact it generates it.

1. If it keeps the O.C.R. at say 2-3% (0% in the U.S.), the cheap money lifts land price. If it raises the interest rate it attracts overseas money through the banks. It encourages negative gearing by increasing the loss to set off against income tax. This leads to farming tax free capital gain and inflation.
2. The Reserve Bank is directed to disregard *underlying* inflation, (non-tradeables i.e. land) and to monitor wages/prices (the CPI), *headline* inflation, **caused** by the **underlying currency inflation**.
3. Rising land price depresses wages, & the currency inflation destroys the value of the depressed wages / prices.
4. Global Fractional Reserve Bank¹ lending is committed to “expanding the supply of free money¹” in excess of deposits. (The privatised form of the DSC Theorem.)

Resolution of this institutionalised fraud lies in the TWG Report converting land price to a State Rent in 5 years. This would restore the integrity of the currency, generate employment and raise wages. Instead of paying interest on a mortgage wages would be saved to earn interest. Labour would become the Capitalist.

The TWG Report (2009) cites set-off as the way to make it politically acceptable. There are other such mechanisms long since in place to accommodate people in the change in the short term without compromising the principle in the longer term. This remedy is ignored by all Parties.

It must be made a Constitutional issue above the political arena.

¹ http://en.wikipedia.org/wiki/Fractional_reserve_banking

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The People of Masterton are all landlords

The People of Masterton are all landlords

Appendix – AUCKLAND

Background

In 1962 a poll was petitioned for Auckland City to coincide with the local elections. "It was expected to fall like a ripe pear". The vested interests of Queen St contrived to have it deferred for a year while the Annual Rental Valuations were rigged through a loophole in the law. The Annual Rental Valuations were supposed to be 5% of the Capital Value (as determined by the Govt. Valuation Dept). In fact the law specified 5% of the "fee simple" of which there were as many opinions as there were people in Auckland. On this basis the Council set its ARVs at between 4.2% and 6.5% variously from suburb and city centre (documented details on request) This averted the normal re-incidence of Rates from the suburbs to city centre. Land Values in Queen St are valued by the centimetre. Gross underdevelopment persists.

The original ARA set up under Tom Pearce levied its own Land Value Rate via the component Councils. It became so successful that it appeared as a threat to the Muldoon Govt who ordered its demolition.

Bruce Jesson managed to retain some elements that make a useful contribution to the City's funding today.

A later Govt ordered the sale of public transport for crass ideological reasons – "Sell it", she said. The Supercity is now retrieving the bits in order to integrate the fundamental function of public transport.

The Royal Commission on Auckland Governance

The Chairman's Report, and our submission, were roughly in line, recommending progressive refinement of the status quo along the lines of the ARA. The Report made no reference to Rating, despite an oblique preference for Capital Value in the Terms of Reference, based on the "Rates Enquiry Report". That Report contained no evidence whatsoever in support of Capital Value Rating, in contrast with our Submission replete with evidence. Thus the Chairman's Report avoided a conflict with the empirical evidence favouring Land Value.

Within a week, before the ink was dry, the new Govt with ACT Minister for Local Govt, Rodney Hide, imposed their own agenda, with Capital Value Rating, and setting up the "CCOs" (Council Controlled Organisations?!) with Govt appointed chairmen, making them ripe for privatisation. That was stopped with Council appointed chairmen.

Rating. All the components of the Supercity had only ever been on Land Value Rating, except Auckland on Annual Rental Value. Recently Manukau had contentiously changed to ARV using the legal loophole to make all rates equal. (1) In 1960 Mayor Elsmore initiated the poll that adopted Land Value.

The Capital Value Rating imposed and the multiplicity of ineffective Wards/Boards provokes the moves to secede from the Supercity.

The Terms of Reference for the Royal Commission obliquely preferred Capital Value (*supra*). The government imposed it. The current Commission specifies it.

This is the real issue at stake! And the public ownership/private operation of the infrastructure.

1. Details on request.

2009 - A Victoria University Tax Working Group (TWG) Report could have been written by Henry George. It specifically affirms that a land tax reduces the selling price, (effectively, by the amount of the charge capitalised at the current rate of interest). It cites set-off as the way to make it politically acceptable. Tax set-off and similar provisions have long been in place to accommodate people in the change without compromising the principle.

It dismisses a Capital Gains Tax because it fails to distinguish improvements influenced by inflation, and land value, that causes it. The Land Tax replaces Income Tax!

A progressive Land Tax would revert current 'freehold' to leasehold in 5 years.

The Report was prepared by - The Policy Advice Division of the IRD and by the N.Z. Treasury.

When Govt. is funded from Socialised Rent instead of taxes, the savings of wages earn interest instead of paying interest on a mortgage. Labour becomes the Capitalist.

Banks become Finance Companies accumulating the savings and making them available for working capital in the short and medium term.

The Sharemarket has a role to play for larger amounts of savings in the longer term for planes, ship building and major construction, without the rogue factor of land price.

For intergenerational infrastructure, Govt. and Local Body Stock is a Trustee Investment, without the market place risk, for Superannuation.

Q.E. or injected money other than the savings of labour is unnecessary and wrong. It destroys the value of labour's wages and savings. With advancing productivity, money and the savings would be enhanced in value. Money is not some separate elusive quantum that somehow has to service countless transactions, from very small to very large.

Money is essentially a measure of the relative labour content of goods and services permitting the exchange of consumables, perishables, or durables, now, progressively or later. It assesses the relative value of the Labour content, whether of brain or brawn, applied by the seller or avoided by the purchaser, for exchange purposes. Even gold has a dollar price, for these reasons.

When the capitalised value of a gratuitous licence which has no labour content, but does have an effective purchasing power and exchange value for the labour of others, is introduced to the labour exchange process, then the measure is thereby expanded but with no corresponding increase in the goods and services. That's inflation. Too much money chasing too few goods; future money but only present production. Over time, the goods and services diminish in value whereas the rights appreciate, compounding the effect.

The valuable licences or tradeable rights currently become part of the indiscriminate exchange of goods, services and equities, all freely interchangeable, quantified in dollar terms, and convertible into cash, as maybe minimally required. Electronic transfers now replace cheques, paper notes and coins. Whilst it may be interesting to quantify M1, 2,3 and the velocity of circulation, it cannot influence the external rogue factor that drives them. (The technical term Money Supply of M1, 2, 3 is a small liquidity sequence, not to be confused with the supply of money).

Underlying currency inflation is caused by rising land values. We now have a land values based currency. Refer "The CGS (Closely Guarded Secret").

The CPI (Consumers Price Index - wages / prices) monitors the effect of underlying currency inflation. The Reserve Bank has been directed to disregard reference (except obliquely) to underlying inflation, caused by non-tradeables (land). This official rort is designed to protect the sacrosanctity of private property in 'land' - the cause of the rich / poor divide, housing & unemployment problems. Farmers should be farming for production, not tax-free capital gain.

- **Land price privatised is the cause of the rich / poor divide, housing & unemployment problems : socialised it is the cure ! We would all be on the Property Ladder !**
- **It is the basic Constitutional Human Rights issue.**

The “LAND” RENT FOR REVENUE AND JUSTICE

Association (International) *

Pay for what we **Hold** or **Take**, not what we **Do** or **Make**

*Free trade must not include the freedom to “invest” in owning others’ natural resources
which should rightfully be their source of revenue*

The Local Government Commission
Wellington

1.12.2017

LOCAL GOVERNMENT REFORM

The Rating base is fundamental to the success of any Local Government structure.

The Capital Value base now prescribed will subvert all the best intentions and aspirations.
Every nail and screw driven, every dollar invested will attract a penalty.

Whereas the only penalty from land Value Rating is for those who underuse land or who withhold it from use for speculative, unearned, tax-free gain.

Land Value Rating will –

- 1. Reduce the price of land** - by the amount of the charge capitalized at the current rate of interest – TWG (Tax Working Group) Report (IRD & Treasury).
- 2. Generate employment**
Every person engaged in primary industry – building, transport, agriculture, fishing, forestry, generates seven more jobs downstream.
- 3. This addresses the rich/poor disparity problem**
- 4.** It promotes development with a centripetal force, towards the centre, instead of a centrifugal force promoting urban sprawl with its reticulations costs.
- 5.** It impels progressive amalgamation, as it becomes appropriate.

The Regional Council must own and coordinate the infrastructure – the natural monopolies of water, main roads, rails, pipes, wires, ports, airports – **2 tiers in the electricity supply chain, not 4.** Some assets previously sold should be recovered – Telecom’s local loop.

Where possible the operation should be leased to private operators at market rentals, and with licences, user-charges, fares. Metered water, as for electricity, avoids waste and unnecessary capital cost.

The intergenerational capital cost of the assets and the reticulation should be financed from Local Body Stock as a secure superannuation option.

The Regional Council should levy a Land Value Rate (infra) shared with the Wards on an ad valorem basis, i.e. the proportion of each Ward’s Land Value to the whole, less say 3% for the Regional Council.

Existing Councils should be retained as Wards of the Regional Council, with their local knowledge, resources and responsibility.

*Affiliate of the International Georgist Union, London and Prosper Australia Inc., Melbourne
[1]

In support of Land Value Rating the record is:-

1. The Unimproved Value Rating Act of 1893 was stalled in the upper house for 3 years. When it was passed in 1896, it provided for the Ratepayers to demand a poll to change to Land Value. With this provision, by about 1950 Land Value Rating had become predominant. In 1927 at the instigation of P J. O'Regan, a poll was held that converted Wellington from partial to full Land Value rating. Under that impetus it developed and became the example of a city "well run and without strife" – (Rolland O'Regan – Chairman, Town Planning Committee, Chairman Harbour Board) Effectively he built the high rises on Lambton Quay and The Terrace. When Wellywood reverts to its roots, it will show Auckland what to do and how to do it.
2. **It has been widely endorsed by:**
 - a) **The Royal Commission on Local Govt. Finance 1958.**
 - b) **The N.S.W. Royal Commission 1967.**
 - c) **A Brisbane City Enquiry 1989. It is mandatory throughout Queensland. By the late 1980s 92% of all Australian municipalities used Site Value Rating.**
 - d) **The Wellington City Committee 1989.**
 - e) **The Internal Affairs Department Coordinating Committee 1989 which concluded "that there should be a nationwide uniform base for Rating"... "That undifferentiated Land Value Rating is the only rating system fully consistent with efficient resource allocation. It encourages an optimal use of high-value sites because rates based on land penalised inefficient usage of the site. A landowner is nonetheless required to contribute financially to the community on the basis of that property's potential."**
 - f) **The 90% of municipalities in N.Z. that by poll adopted it and likewise could have rejected it.**
 - g) **All the newer areas of Auckland – North, South, East and West that have long enjoyed it and clearly intend to retain it. The recent change in Manukau is not yet vindicated.**
 - h) **The Cities and Districts of Palmerston North, Waitakere, New Plymouth, Horowhenua, Kaipara, Taranaki, Waimakariri and Franklin, where proposed reversions to Capital Value were rejected, most of them heavily, by as much as 8:1.**
 - i) **The growing number of American cities that now employ the 2-Rate system levying 5-6 times more on the land value than on the improvements with startling effect on building permits and employment.**
3. **By 1982, 90% of all Municipalities had by poll adopted Land Value Rating which accounted for 80% of Local Govt revenue.** The main dissidents were remote rural areas, a few Counties with a dairy factory carrying a big proportion of the rates, the old Boroughs on the Auckland isthmus largely parasitic on Auckland City, Lower Hutt, then a dormitory suburb of Wellington without its own hard core of land values, and Queenstown – a wild-west-type speculators' paradise.
4. In 1985 we proposed that, on the evidence, LV Rating be made mandatory as in Queensland and that the Land Tax be ascribed to Regional Local Govt. That would have entrenched the Land Tax and neatly distinguished the two forms of revenue – land value v. income tax. It would have achieved a bloodless revolution, democratically. That historic initiative was subverted by the New Right Labour cabinet under the influence of the World Bank.
5. **During 1987 the then Labour government let it be known that it favoured Capital Value Rating – for the wrong reasons (supra). Accordingly in 1988 devious reversions to Capital Value began.**
Christchurch moved from partial Land Value back to Capital Value by Council Resolution when we believe a poll should have been held.
Dunedin fragmented its general Rate into Separate and Special rates so they could then be changed by Council Resolution without recourse to the Ratepayers and despite their vociferous protest march. The Mayor, Sir Clifford Skeggs, threatened to take his Council to Court. The Council action was not in fact illegal but clearly a misuse of its powers.
In 1953 the Dunedin ratepayers had voted for Land Value Rating with a dramatic increase in building permits as a consequence.

In Wellington, a year-long Rates review Committee came down firmly in favour of retaining Land Value with an adjustment to the Differentials between City Centre and suburbs. *Nevertheless, the then Mayor contrived to have Capital Value narrowly adopted but needed an Order In Council to validate his procedures which a QC and the local press regarded as illegal.*

6. 1989. The Internal Affairs Department Officials Coordinating Committee.

The O.C.C “consider that the main thrust of the reform of local government funding should be based on a policy of going back to basics with the rating system”... “that the ability of local authorities to tinker with the rating system may cut across national-interest concerns of central government”... “That there be a nationwide uniform base for rating”.. That undifferentiated land value rating is the only rating system fully consistent with efficient resource allocation... It encourages an optimal use of high-value sites because rates based on land value penalize inefficient usage of the site... a landowner is nonetheless required to contribute financially to the community on the basis of that property’s potential.”

With this we concurred thus –

“The historical evidence of the Royal Commission and Ratepayers confirm it, the present economic circumstances require it and future plans will make it imperative. Because Land Value Rating generates employment it is the key that will add credibility to all other government policies – free market, S.O.E.s, Local Government reform etc and will facilitate further reforms in social welfare, race relations, health, housing, police and so on. It will make these reforms easier and others unnecessary.

Addendum 20.12.03

A Regional Land Value rate could be made tax-deductible, or a charge against the property – at the Ratepayer’s option, for the non-commercial Ratepayer.

It might also allow thresholds of land value and income as introductory concession.

(Refer “Rates Relief”, 20.4.07)

7. **IN THE RATING POWERS ACT 1988/9 THE GOVT WITHDREW THE TRADITIONAL RIGHT TO DEMAND A POLL, at the same time as it propounded the merits of “local decisions locally made”.** Wherever Land Value Rating applied it had been adopted by poll of ratepayers, representing a lot of work and profound social concern. *Wherever Capital or Annual Value Rating applied it was imposed by Govt or Councils, contrary to the express wish of the Ratepayers. (1)*
8. In 1990, the then Minister introduced a measure that would abolish Annual Rental Value Rating and would **make Capital value Rating irreversible wherever it was in place or might be adopted subsequently.** The move failed and the Govt changed at the end of that year. Since then there have been several moves by Councils to revert to Capital Value. All have been so vigorously opposed by ratepayers, even without the right to demand a poll that the Councils have backed off. An instance of this was the postal poll in Waitakere where a determined attempt by Council was rejected by more than 8:1, in line with others in Palmerston North, Horowhenua, Dannevirke, New Plymouth, Kaipara, Taranaki, Waimakariri, Franklin and Northland. One or two moves have succeeded but have later been reversed: One or two changes have stuck-uncomfortably. Some have compromised with a mix of Land and Capital Value for no apparent reasons.

In the Supercity of Auckland Capital Value Rating was imposed when $\frac{3}{4}$ of the constituents had only ever been on Land Value. And the infrastructure was set up for privatisation.

(1) In 2006 Manukau City imposed ARV. The change was fraught with dissent, illogical reasoning and has yet to be vindicated. It was the precedent attempt to make all Rates equal.

A valid confusing consideration in the moves to revert to Capital Value arises from the amalgamation of urban and rural areas which previously raised and spent their own Rates. Amalgamation can mean that a highly valued rural property might be paying for urban facilities. The solution is not to revert to Capital Value Rating, but to apply a Differential Land Value Rate that relates income to expenditure in both town and country so that each enjoys the advantages of Land Value Rating but not at the expense of the other. Land value in rural areas is related to overseas prices. In urban areas it is related to civic amenities. Differential Rates reflect this.

The practical consensus now seems to be a basic Land Value rate with Differentials to distinguish between Residential, Rural and Commercial zones and to offset the advantages of tax-deductibility enjoyed by some, supplemented by UAC's. **N.B.** The Differentials should not be extended to allow a hotch potch of inner-city zoning dispensations, or political contrivance.

9. The historical sketch shows that by about 1990 Land Value Rating had become an example to the world, and should be made mandatory, on the evidence! Significantly the Govt-led assault on this coincided with the privatisation of Telecom, N.Z Rail, and others, largely to foreign interests, ravaging our Current Account since.

Sir Roger Douglas, Minister of Finance at that time, is said to have later become the highest paid agent for the World Bank. It has been reported he went to Mongolia to persuade them to put their natural resources on the world markets enabling "Mums and Dads" anywhere to participate in the World Bank's initiative.

For years now our senior Reserve Bank and Treasury staff have been trained at the World Bank. To them "Land" (i.e. natural resources) is just another form of Capital. So that Rent and Interest are synonymous. Regulating one regulates the other. It doesn't. Easy money means dear land and low wages, currently a serious topical issue. Capital should be the savings from the wages of labour. Wages and interest should move in tandem. Labour should be the Capitalist, not the "landowner" collecting rent disguised as interest.

The assault on Land Value Rating coincidental with the sale of natural monopolies (2) exemplifies a contrived coordination of -

- (a) relieving natural resources of any public charges to enhance the privatised unearned speculative value.
- (b) privatising natural monopoly profits - both wrongfully, at the expense of the public sector.

IT INDICATES AN INFILTRATION OF THE LABOUR PARTY AND BUREAUCRATS BY THE WORLD BANK TO NEUTRALISE EFFECTIVE, RADICAL OPPOSITION TO THE NEW RIGHT GLOBAL AGENDA OF PRIVATISING NATURAL RESOURCES, *ie.* OWNING THE EARTH AND PRIVATISING THE RENT: MANIPULATING WORLD TRADE IN FAVOUR OF IRREVERSIBLE MONOPOLIES.

OTHER MERITS OF LAND VALUE RATING ARE:

1. **It usually means lower rates for the majority of Ratepayers.** The common ratio of improvements to land value has been about 3:1. Properties developed above that (usually homeowners) get a Rate reduction at the expense of those with a lower ratio - usually under-developed or vacant sites held for speculation, and poorer commercial properties.

²Natural monopolies are rights to land, water, airwaves, minerals, fisheries, hydro-power generation and supply, any public utility such as a port, airport, or the monopolistic rights to reticulate wires, pipes, rails, roads and the like; even the right to pollute.

2. **It is environmentally friendly.** By optimising land use it maximizes the natural, undisturbed environment. It discourages urban sprawl.

3. **Inflation**

Capitalised annual "economic rent"(land price) is the underlying cause of currency inflation.

Money is a measure of value for the labour content of goods and services, for the purpose of exchange now, progressively or later. Introducing the capitalised future value of a gratuitous licence that has no labour content into that exchange process expands that measure, but with no corresponding increase in goods and services. Too much money chasing too few goods - inflation. Over time the value of the labour products diminishes, whereas the licence value appreciates, compounding the effect (separate paper on request). The inflated/devalued currency is most rapidly reflected in higher land price which inflates/devalues the currency which.....creates a pernicious spiral -on which some live high whilst the majority strive to survive on the treadmill. Easy money (Q.E.) accelerates the process. Collecting the "economic rent" annually (L.V. Rates or Land Value Tax.) or by a Development Levy, eliminates the "business cycle" of boom and bust.

4. **It recovers some of the community-created land value for community purposes.**

There is thus a unique, important, moral imperative in Land Value Rating which is entirely consistent with its other virtues. It is a charge on the unearned differential value. *It is directly related to, and recovers the cost of Council services.*

5. It is mandatory throughout Queensland and predominant across Australia - 92% of municipalities had adopted it by 1980.

6. The growing number of American cities that now employ the 2-Rate system levying 5-6 times more on the land value than on the improvements with startling effect on building permits and employment.

Re-building infrastructure

The key to recovery from any disaster is Land Value Rating -free of penalty for every nail or screw driven, and every dollar of private investment. Wellington and Christchurch should not be penalized in this way.

Napier is now the Art Deco capital of the world with guided local and international tours. Rebuilt after 1931. Vancouver (Single Tax City) was built with Land Value Rating. San Francisco after the earthquake and fire was rebuilt with it -there were no improvements!

Queensland's recovery will be assisted with Land Value Rating, mandatory there for years now.

THE MAIN OPPONENTS OF LAND VALUE RATING ARE:

1. Those who seek to shift the charges off the land onto buildings, alcohol, petrol, people -anything, thereby increasing the eventual unearned, tax-free gain from speculating in land or under-using it, rather than putting it to its optimal use now.

2. Those who themselves or as a front for others (above) claim that Land Value Rating leads to over - intensive use of land and/or the destruction of the ambience of yester-year, and/or undue pressure to change. It doesn't and it needn't. Old buildings can be protected with Preservation Orders and Town Planning Ordinances. We don't have to put the whole of society into a strait-jacket of decadence to accommodate a few relics, however worthy. Special Valuations for Rating purposes can accommodate those caught with a zone change entitling them to an Existing Use valuation, until the use changes.

"Mining" is more likely to occur when an excessive, speculative price has been paid, propped up by a mortgage with cheap money leaving little over for wages. Bringing the price back to reality eases the pressure.

3. Those who claim that Capital Value Rating reflects the ability to pay. This specious argument fails to distinguish between that "ability" derived from the investment of private capital and labour which is no concern of local Govt, and that "ability" or benefit which is derived from holding natural resources serviced by the Council, which is the legitimate concern of Local Govt. Personal income is no concern of Council.

The failure to make this distinction between individual rights and the community's rights characterises the Marxian solution to wealth disparity. From this the world now turns. Making this distinction correctly is the issue of this age as it provides the only equitable basis for the operation of a free market economy. Land Value Rating makes this distinction neatly, between public and private property.

4. Those who claim that Capital Value Rating distributes the Rates more "fairly". A fair Rating system is not one which merely distributes current costs equally -to the disadvantage of the poor, incidentally, as with a UAC. Rates are related to those unimproved land values generated by the community not the capital values generated by the private investment of labour and capital. .

USER PAYS AND/OR COST BENEFIT

Court actions against councils have recently been brought on the grounds that there was no equitable relationship between Rates paid and the benefits enjoyed. These actions, until recently, had only ever been taken in areas Rating on the Capital Value. Reticulation of any sort is better used by high-rise improvement, than extended for miles. Community services and other advantages are more accurately reflected in site values than in Capital Values. **Land Value is itself a cost/benefit measurement.** Moreover, as a Land Value Rate reduces the price by the amount of the charge capitalised, the site user either pays initially to a vendor or progressively, to a small degree, to the Council.

The principle of User Pays is eagerly directed at as many Council services as possible by those who seek to relieve property of Rates, thereby increasing the land values. However, the principle of User Pays applies first and foremost to the user of the site (and other natural resources) **either** as purchase price, or progressively. Land Value Rating is a significant step along that road. Litigation, outside the provisions of the Rating legislation, has established that a minute cost/benefit analysis with apportionment accordingly is not the intention.

QUOTE

Cr Joceline White, Waimakiriri District Council (in the vote retaining land value rating), *"favoured land value because she regarded the rates paid on her land as rent for the privilege of using it during her lifetime"* -The Press 8.6.95.

Robert D. Keall
Hon. Sec/Director

Appendix – AUCKLAND

Background

In 1962 a poll was petitioned for Auckland City to coincide with the local elections. “It was expected to fall like a ripe pear”. The vested interests of Queen St contrived to have it deferred for a year while the Annual Rental Valuations were rigged through a loophole in the law. The Annual Rental Valuations were supposed to be 5% of the Capital Value (as determined by the Govt. Valuation Dept). In fact the law specified 5% of the “fee simple” of which there were as many opinions as there were people in Auckland. On this basis the Council set its ARVs at between 4.2% and 6.5% variously from suburb and city centre (documented details on request) This averted the normal re-incidence of Rates from the suburbs to city centre. Land Values in Queen St are valued by the centimetre. Gross underdevelopment persists.

The original ARA set up under Tom Pearce levied its own Land Value Rate via the component Councils. It became so successful that it appeared as a threat to the Muldoon Govt who ordered its demolition.

Bruce Jesson managed to retain some elements that make a useful contribution to the City’s funding today.

A later Govt ordered the sale of public transport for crass ideological reasons – “Sell it”, she said. The Supercity is now retrieving the bits in order to integrate the fundamental function of public transport.

The Royal Commission on Auckland Governance

The Chairman’s Report, and our submission, were roughly in line, recommending progressive refinement of the status quo along the lines of the ARA. The Report made no reference to Rating, despite an oblique preference for Capital Value in the Terms of Reference, based on the “Rates Enquiry Report”. That Report contained no evidence whatsoever in support of Capital Value Rating, in contrast with our Submission replete with evidence. Thus the Chairman’s Report avoided a conflict with the empirical evidence favouring Land Value.

Within a week, before the ink was dry, the new Govt with ACT Minister for Local Govt, Rodney Hide, imposed their own agenda, with Capital Value Rating, and setting up the “CCOs” (Council Controlled Organisations?!) with Govt appointed chairmen, making them ripe for privatisation. That was stopped with Council appointed chairmen.

Rating. All the components of the Supercity had only ever been on Land Value Rating, except Auckland on Annual Rental Value. Recently Manukau had contentiously changed to ARV using the legal loophole to make all rates equal. (1) In 1960 Mayor Elsmore initiated the poll that adopted Land Value.

The Capital Value Rating imposed and the multiplicity of ineffective Wards/Boards provokes the moves to secede from the Supercity.

The Terms of Reference for the Royal Commission obliquely preferred Capital Value (*supra*). The government imposed it. The current Commission specifies it.

This is the real issue at stake! And the public ownership/private operation of the infrastructure.

1. Details on request.

The
“LAND” RENT FOR REVENUE & JUSTICE
Association (International) *

Pay for what we **Hold** or **Take**, not what we **Do** or **Make**

*Private Enterprise must not include private ownership of the elements of life.
Free trade must not include the freedom to 'invest' in owning others' natural resources
which should rightfully be their source of revenue*

Memorandum to

6.3.15

His Worship The Mayor – Mr. Len Brown.
Auckland City Councillors – mailed direct.
Hon. Peter Salmon. “ “
Fran Wilde – GWRC “ “
Mayors – Wellington “ “

Herewith –

- A. Our Submission to the Local Govt. Reform Commission, Wellington, with **Appendix Auckland.**
- B. Press Report Cr. Christine Fletcher 18.5.12.
- C. Submission to the Auckland Transition Agency 20.8.10, 23.6.09, 27.3.08.

On this evidence we must now move to -

1. Reverse the subversion of the last 30 years, by both Parties.
2. Reverse the chicanery of 1989 / 90, in Wellington, Christchurch and Dunedin. (p2 A above).
3. Restore the right to a poll previously exercised by 90% of municipalities. (infra).
4. Reinstate the successful ARA model of Land Value Rating for itself and constituent Councils.
5. Address the Report of the Royal Commission on Auckland Governance peremptorily dismissed. (infra).

When Land Value Rating is in place other adjustments will be easier e.g. strengthening, funding and amalgamating the Wards.

There is statutory provision for accommodating people caught in the change, without compromising the principle in the longer term (refer “Mechanics” att’d).

The L.G. Reform Commission’s plan in Wellington is already tipped to fail even before Submissions close on 2nd March. This is due to the precedent imposed on Auckland.

We should be ready to exploit that opportunity which could be sooner rather than later, by promoting points 1 – 5 above.

An Auckland initiative would influence the outcome in Wellington.

Yours faithfully,

Robert D. Keall
Hon. Sec/Director.

“Land”ie. Natural monopolies. Rights to land, water, airwaves, minerals, fisheries, hydro-power generation and supply, any public utility such as a port, airport, or the monopolistic rights to reticulate wires, pipes, rails, roads, and the like; even the right to pollute. Distinguishing ownership from the operation.

* Affiliate of The International Geogist Union, London, and Prosper Australia Inc., Melbourne

The New Zealand
LAND VALUE RATING
ASSOCIATION *

OBJECTIVE -
ONE RATING SYSTEM ON
THE VALUE OF LAND

20.8.10

AUCKLAND RATES

1. The Govt. plans to impose Capital Value Rating on the new Regional City.

2. This will be unacceptable to about 2/3 of the Region currently on Land Value - always have been, and staunchly prefer it.
It will divide the new City and add to the clumsy dysfunction leading up to the General Election next year.

3. The plan reverses history by 114 years.
In 1896 Ratepayers were given the right to demand a poll, exempting improvements. By 1982, with this dispensation, 90% of all municipalities had by poll adopted Land Value Rating, which accounted for 80% of Local Govt. revenue.
That popular, democratic trend has since been undermined -
- by the main Parties, in or out of office.
- by bureaucrats in Central and Local Govt, influenced by the World Bank.

4. The belated, fundamental issue of the Rating base should be determined by poll when the valuations are known and advised.

The Rate funding should be shared with the Local Wards/Boards on an ad valorem basis.

5. The Rates issue will otherwise divide the Region of 1/3 of N.Z's population and will indict the Coalition .

This is more fully detailed in the enclosed.

The New Zealand
LAND VALUE RATING
ASSOCIATION
Affiliate of the Association for Good Government

OBJECTIVE -
ONE RATING SYSTEM ON
THE VALUE OF LAND

23.06.09

The Auckland Transition Agency
P.O Box 7360
Auckland

Submitted by
Robert Keall
Hon Sec / Director

Our submission is –

1. The proposed Supercity should assume the functions of the ARC.
2. It should subsume the existing 7 component Councils and Community Boards, as Wards of the Supercity.
Minor adjustments to boundaries, staff, and functions should be made progressively. This would retain existing facilities, operations, accountability, local knowledge and resources, with minimal disruption¹.
3. The present “at large” ARC election of Councillors for the Supercity should persist, plus representation from the component Council / Wards.
4. The single Rate, on whatever basis, (preferably decided by poll,) should be apportioned between the City and the components on an ad valorem basis.
5. The current plan to re-jig 7 into 6 is unnecessary, impracticable, unwanted, undemocratic, expensive and wasteful. It will be next to impossible to implement, or to unwind. The massive disruption and consequential chaos will resolve nothing. Nor will it go away until properly resolved along the lines of the successful ARA¹ which was dismantled because of its success!

Unpopular with 1/3 of N.Z's population, and with Local Govt. the disaster will become apparent about the same time as the next General Election looms.

It will be suicidal for the Govt. and at the expense of Auckland.

Opponents of this simple, proven plan who are alleged to have a secret agenda of divide and rule (as previously) will have to explain their perfidy².

¹ Submission to the Royal Commission, extract appended.

² Changes to the RMA etc should be addressed separately. There's been a lot of unhelpful diversion and confusion.

on AUCKLAND REGIONAL GOVERNANCE

A The Submission

- The Key
 - The Implications
 - World Bank Direction
- <http://indymedia.org.nz/newswire/display/74956/>

B Integral Appendices

1. A "Short History" of this Association
 - Since 1896, and before.
 - **By 1982, the democratic adoption Land Value Rating by poll, in 90% of municipalities, raising 80% of revenue.**
 - **The reasons for its universal adoption being denied, the right to the poll being withdrawn and the trend reversed.**
 - **World Bank influence.**
2. "Rates Relief"
 - Submission to the Rates Enquiry Committee.
 - Response to the Committee's Report
3. Sundry *Significant* Reports.

The sorry saga cited herein borders on a constitutional travesty which hopefully the Royal Commission will help to redress in Auckland.

A THE SUBMISSION

The original ARA should be re-instituted, in substance if not in name, and the present Councils largely subsumed by it.

The ARA became so successful it was dismantled because of a perceived political threat to autocratic Central Govt.

That perception was wrong. Regional Govt whilst a creature of statute should be an integral partner of Central Govt. The core functions of each should be prescribed, and implemented by both accordingly, in cooperation, not in isolation; the macro/micro administration of the infrastructure, not an agency for social agenda³. Social well-being will flow from integrated infrastructure.

A core function of Regional Govt is the coordinated reticulation of roads, rails, pipes, wires and the like; the provision and management of ports, airports, and any other natural monopoly, for private operators paying a competitive market rental, licence or fee where appropriate; contractors, of course; i.e monopoly profits where there is competition, or a marginal cost, whichever is appropriate.

³ The Local Govt. Amendment Act (No.3) 1996, Sec 121... "requires each local authority to exercise subjective/political judgement concerning rating." Described by a local jurist as a "constitutional travesty." A calculated relegation and diffusion of Govt. responsibility.

THE NEW ZEALAND
LAND VALUE RATING
ASSOCIATION

OBJECTIVE –
ONE RATING SYSTEM ON
THE VALUE OF LAND

A **THE SUBMISSION.**

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That perception was wrong. Regional Govt whilst a creature of statute should be an integral partner of Central Govt. The core functions of each should be prescribed, and implemented by both accordingly, in cooperation, not in isolation; the macro/micro administration of the infrastructure, not an agency for social agenda.¹ Social well-being will flow from integrated infrastructure.

A core function of Regional Govt is the coordinated reticulation of roads, rails, pipes, wires and the like; the provision and management of ports, airports, and any other natural monopoly, for private operators paying a competitive market rental, licence or fee where appropriate; contractors, of course; i.e. monopoly profits where there is competition, or a marginal cost, whichever is appropriate.

The Key

The key to a coordinated Regional function in Auckland is the Rating system. The merits of Land Value over Capital/Annual Rental Value are set out separately in "Rates Relief". Opposition from Queen St. will be a major impediment to the whole plan. (Infra)

Land Value Rating is used by 5 out of the 7 components of the ARC and was the basis for most of the original ARA indirect levy accordingly. Just why the new direct Rate should be levied on the Capital Value is not at all clear. Its dramatic unpopularity was not the amount but the unacceptable basis of Capital Value.

The new ARC was expected to change that. Instead, the amount was reduced, and later "smoothed" (infra) to achieve a sort of Uniform Annual Charge.

The most practicable, just and popular is Land Value Rating based on valuations by the same valuer, every year, as at the same date, across the Region. This will assist any structural changes desirable and any subsequent changes. Any other will obstruct it! Structural proposals now designed to increase the Annual/Capital Value element will entrench the current problems rather than resolve them.

"Smoothing" the Rates across 7 disparate components on different 3 yearly cycles, influenced by different factors such as agricultural prices, and urban expansion, is not an option.

Our response to the Rates Enquiry Report rejects two of its findings and affirms a 3rd item. All are relevant for this Commission. (Appendix 2)

¹ The Local Govt. Amendment Act (No 3) 1996, Sec 121... "requires each local authority to exercise subjective/political judgement concerning rating." Described by a local jurist as a "constitutional travesty." A calculated relegation and diffusion of Govt. responsibility.

THE NEW ZEALAND
LAND VALUE RATING
ASSOCIATION

OBJECTIVE –
ONE RATING SYSTEM ON
THE VALUE OF LAND

Hon. Nanaia Mahuta
Minister for Local Government
Parliament House
Wellington

21.11.2007

Dear Madam,

Re: Rates Enquiry Report

We have to record our dissent from two points in the Report, and our affirmation of a third.

1. p.8 #57. “The Panel (favours the promotion of a common system of valuation for rating purposes” – (see2) “and strongly favours the capital value system because of the closer relationship of capital values with household incomes” (separate issues).

Household/personal incomes and the private investment of capital are no concern of Council. Hardship is a matter for Government as in the Rates Rebate and postponement provisions. The core function of Local Govt. is the reticulation of essential infrastructure, not a social agenda relegated by Govt.

No hard evidence is submitted in support of the subjective assertion – “closer relationship of capital values with household incomes.” Insofar as it may be true it is no concern of Local Govt. It is the traditional mantra of the Local Govt. Association.

By contrast, our own case for Land Value Rating is replete with endorsements – “Rates Relief” p.3.

2. page 8 # 61. “The Panel recommends that the previous model of a central government valuation authority be re-established to increase the level of professional resources being applied to rating valuations or that additional resources be provided to the Valuer-General to facilitate better quality control of valuations.” **YES!**

The establishment of a Govt. Valuation Dept around 1900 for the purpose of the Land Tax and Local Rates was a world first. It functioned well with only rare complaint to the Court set up for the purpose. The Dept. not infrequently would appeal its own valuation roll to preserve unassailable consistency throughout the country.

Since the changes instigated by Govt. around 1990 the residual Department, Quotable Value, has had to compete with others. This has led to applicants telling a Council what it wants to hear. On several occasions we have made representations first to Hon. Peter Tapsell in 1993, and later to the Ministry, drawing attention to irregularity, especially where Capital or Annual Rental Values are being considered.

The latest hazard has been the Auckland Regional Council's innovation of "Smoothing the Rates" over the disparate 3 yr periods of 8 Councils, affected by varying economic factors of urban expansion, agricultural, residential and commercial components. Retrospection in 3 years time will be impossible. Clearly the aim is to make all Rates a sort of Uniform Annual Charge.

3. page 8 # 62. *"The Panel also recommends that councils make more use of their flexible rating powers so that the rating burden better reflects value in use, rather than potential sale price. In the case of farming properties, this value in use basis would provide some redress for any current inequities in the rating of farmland, particularly given the Panel's recommendation that differentials be abolished."*

(a) "... rating on value in use rather than potential sale price."
i.e. farming for capital gain rather than production and taxes now; tax-deductible expenses, life-style; weather and trade vicissitudes, with Bank support, yes. But the principle? ¹

In 1989 the Officials Coordinating Committee for an Internal Affairs Dept. review of "Funding for Local Government" concluded –

The O.C.C. "consider that the main thrust of the reform of local govt funding should be based on a policy of going back to basics with the rating system" ... "That the ability of local authorities to tinker with the rating system may cut across national-interest concerns of central govt" ... "That there be a nationwide uniform base for rating" ... "That undifferentiated land value rating is the only rating system fully consistent with efficient resource allocation. It encourages an optimal use of high-value sites because rates based on land value penalize inefficient usage of the site ... a landowner is nonetheless required to contribute financially to the community on the basis of that property's potential".

With this we concurred thus - "The historical evidence of Royal Commissions and Ratepayers confirm it, the present economic circumstances require it and future plans will make it imperative. Because Land Value Rating generates employment it is the key that will add credibility to all other Govt. policies – free market, S.O.E.s, Local Government reform etc. and will facilitate further reforms in social welfare, race relations, health, housing, police and so on. It will make these reforms easier and others unnecessary."

Addendum 20.12.03

A Regional Land Value Rate could be made tax-deductible, or a charge against the property – at the Ratepayer's option, for the non-commercial Ratepayer.

It might also allow thresholds of land value and income as introductory concession

(Refer "Rates Relief", 20.4.07)

¹ "New Zealand in the Making" – Prof. J.B. Condliffe, D.Sc

(b) "...that Differentials be abolished."

Differentials should be retained to relate income to expenditure in urban and rural areas respectively. So that each enjoys the benefits of Land Value Rating but not at the expense of the other. They should also be used to off-set the advantage of tax-deductibility.

They should not be misused, as in Auckland, to load the suburbs to benefit the city centre, in addition to the tax advantage.

Finally

The historical sketch shows that by about 1990 Land Value Rating had become an example to the world, and should be made mandatory, on the evidence! Significantly the Govt - led assault on this coincided with the privatization of Telecom, NZ Rail, and others, ² largely to foreign interests, ravaging our Current Account since.

Sir Roger Douglas, Minister of Finance at that time, is said to have later become the highest paid agent for the World Bank. It has been reported he went to Mongolia to persuade them to put their natural resources on the world markets enabling "Mums and Dads" anywhere to participate in the World Bank's initiative.

For years now our senior Reserve Bank and Treasury staff have been trained at the World Bank. To them "Land" (i.e. natural resources) is just another form of Capital. ³ So that Rent and Interest are synonymous. Regulating one regulates the other. It doesn't. Easy money means dear land and low wages, currently a serious topical issue. Capital should be the savings from the wages of labour. Wages and interest should move in tandem. Labour should be the Capitalist, not the "landowner" collecting Rent disguised as interest.

The assault on Land Value Rating coincidental with the sale of natural monopolies exemplifies a coordination of

- (a) relieving natural resources of any public charges to enhance the privatized unearned speculative value,
 - (b) privatising natural monopoly profits
- both wrongfully, at the expense of the public sector.

IT INDICATES AN INFILTRATION BY THE WORLD BANK OF THE LABOUR PARTY TO NEUTRALISE EFFECTIVE, RADICAL OPPOSITION TO THE NEW RIGHT GLOBAL AGENDA OF PRIVATISING NATURAL RESOURCES LE. OWNING THE EARTH AND PRIVATISING THE RENT

Yours faithfully

Robert D Keall
Hon Director/Secretary

² Refer "P.P.Ps." - on request

³ "The Corruption of Economics" - Dr. Mason Gaffney, Prof. Economics, California University.

The New Zealand
LAND VALUE RATING
ASSOCIATION *

1

OBJECTIVE -
ONE RATING SYSTEM ON
THE VALUE OF LAND

2.8.12
20.4.07

RATES RELIEF

A major cause of the current concern over Rates is the recent escalation in land values.

A significant factor in this has been the attraction of "property" investment on the basis of tax set-off or Negative Gearing, (lately called Positive Gearing !)

Under this design losses on the "property" investment are set off against other taxes. Thus the Govt is actually funding and so causing the escalating land values. Lifting the interest rate worsens the problem by increasing the tax loss, so further reducing the tax liability and increasing the attraction !

The revenue loss carried by other taxpayers and fostered by Govt should be recovered by-

1. A national Land Value Rate, collected on behalf of Central Govt, by and shared with, Regional Govt. set off against income tax.
2. The reduction and ultimate abolition of G.S.T. and income tax.

**Negative Gearing
in reverse -- to fund
Local Govt.**

The Land Value Rate should initially have interim gradations of income/land value. There should also be greater flexibility for the Land Value Rate to be payable now or be a charge against the property or set off against other taxes -- **at the payer's option**. These are interim accommodations to people not to property.

Infrastructure/Natural Monopoly reticulation is a core function of Central and Local Govt that has a direct cost/benefit reflected in land values. The capital cost of this benefit must be recovered in the short, medium and longer term from the land values so enhanced, rather than be privatised. The deceptive conflation of land and improvements as "property" confuses public and private property. The current sacrosanct industry of privatising public property is destroying society - assisted by tax set-off !

One effect of the national Land Value Rate would be to restrain further increases in land value. Any charge on land value reduces the price by the amount of the charge capitalised at the current rate of interest.¹ Land price only arises because the community fails to collect the annual "economic rent" properly due to it, which is then capitalised as selling price. Thus the charge reduces the selling price. It is not passed on !

Land value is a differential value. It has no cost of production. This differential value is reduced by any charge levied on it. Thus any Land Value charge restrains the escalating base which is the underlying cause of the Rates problem and inflation (#5 ~~infra~~).

¹ By contrast any tax on the products of labour - goods and services e.g. buildings, petrol etc., increases the price.

* Affiliate of The International Georgist Union, London, and The Association For Good Government, Sydney

Ex Submission to the Royal Commission

The World Bank - <http://indymedia.org.nz/newswire/display/74956/>.

(Quote) – “The Commission is rigged in favour of CVR

The Royal Commission, according to its Terms of Reference, is obliged to “take into account the implications of the findings of the “Independent” Inquiry into Local Government Rates for local government arrangements in the Auckland region”. Among the recommendations of that Independent Inquiry into Local Government Rates, which submitted its Report on 3 August 2007, was the following:

9. That a common rating system based on capital value be promoted across the country for general rates.

Why *capital* value? The reason given in the Executive Summary is:

57. The Panel favours the promotion of a common system of valuation for rating purposes and strongly favours the capital value system because of the closer relationship of capital values with household incomes.

But if the Panel had truly regarded “household income” as the best base for local taxes, it would have recommended a local income tax (or a system for sharing the national income tax with local Councils).

If the *progressiveness* of the relationship were the criterion then *land* values would be preferred – as the Report admits in Table 12-4 (p.197), although the contrary is stated, without support, in paragraph 9.11 (p.118).

Paragraph 9.111 (p.136) is a masterpiece of obfuscation:

In the case of land value (LV) rating, in most areas (particularly urban ones), there are very few land sales upon which rateable values can be generated. This raises questions about the reliability of assessed values under LV rating. Capital value (CV) rating, on the other hand, benefits from the availability of much richer sales information. For instance, in two Auckland cities over the past few years, there were around 50 sales of dwelling for every one sale of land.

Never mind that some of those “50 sales of dwellings” would have been promptly followed by demolition, in which case the land price can be obtained by adding the demolition cost to the sale price. Never mind that in all other cases, the land value can be obtained by subtracting the depreciated replacement cost of the building(s). Never mind that regardless of the rating system, a separate valuation of the building(s) is always needed for insurance purposes. Never mind that you can’t estimate the total value unless you can estimate the building value and the land value separately; the former depends on the building(s) while the latter depends on the location, and the combined value depends on both. Never mind that in the absence of significant boundaries, land value per unit area varies smoothly with location, facilitating interpolation and consistency checks, and minimizing the need to subtract building values in order to obtain land values.

While CV rating does not eliminate the need for separate consideration of land and buildings, it does allow the separate values to be kept secret. Perhaps that is what the Report means when it claims that “separate assessments for land and improvements would be unnecessary” (paragraph 9.136;p.140). Even then it concedes that “greater emphasis would be required to ensure that all improvements to property were captured, and a more rigorous approach to valuation inspections would be required.” In other words, **Big Brother will be visiting you.**

Comparing this sparse and contradictory logic with the clear economic arguments for not taxing buildings (see above), one can hardly avoid the inference that the recommendation of CV rating was somehow preordained.

The chairman of that Independent Inquiry into Local Government Rates was **David Shand**, who is also one the three members of the current Royal Commission on Auckland Governance. To appoint to a Royal Commission a person with known preconceived ideas on the subject under investigation is a fundamental violation of natural justice. But, by writing the desired bias into the Commission’s Terms of Reference, the Central Government has made a virtue out of what would otherwise have been an abomination.” (*end of quote*)

The Commission’s Terms of Reference do not preclude Land Value Rating but they do prejudicially, prefer Capital Value, in terms of The “Independent” Rates Enquiry Report which recommends it, without any evidence in support. This contrasts with our well-documented evidence in “Rates Relief”.

**THIS BIASED PRESCRIPTION WILL DIVIDE THE REGION
AND WILL DEFEAT THE COMMISSION’S PURPOSE.**

THE NEW ZEALAND
LAND VALUE RATING
ASSOCIATION

Objective -
One rating system on
The value of land

[1]

[1]

Submission by –
Robert Keall
Hon. Secretary

20.5.05

Re: "Smoothing" of the Rates

We have to record our opposition to this proposal on the grounds that its unwise and unlawful.

Unwise

With each passing year and with triennial valuations the adjustments for yester-years and the conjectures for future years will become increasingly obscure. Even the administrators will be unable to understand them least of all explain them to Ratepayers.

The unpredictable economy and volatile property values North, South, East and West of the Region and in Auckland City, urban, rural and commercial, will make "smoothing" an ongoing cause of contention as a Rating base.

Unlawful

There is no current provision for it. Nor would any responsible Minister of Local Govt. sanction or provide for it. Legal definition is impossible.

A remotely comparable precedent is the definition of Annual Rental Value based on the "fee simple" of the capital value. This allows unusual subjectivity even before arbitrary differentials.

That irregularity is bad enough within any Local Authority but is unconscionable for the Region predominantly on a Land Value basis.

By Comparison

An annual valuation of the land value alone, concurrently for the whole Region, is transparent, contestable, reliable, realistic and relevant.

Differentials to relate revenue to expenditure or reflecting tax advantage complete a straightforward, understandable financial base for the infrastructure essential for economic growth.

It would also give lower rates to the majority of ratepayers. This would be true of Auckland City also, and would remove the anomaly at the root of this "problem"

Further refinements such as tax-deductibility for all Ratepayers, or capitalized as a charge against the property - **at the ratepayer's option**, should be explored with Govt.

[1]

THE NEW ZEALAND
LAND VALUE RATING
ASSOCIATION

OBJECTIVE -
ONE RATING SYSTEM ON
THE VALUE OF LAND

[1]

10.6.05

Hon. Chris Carter
Minister for Local Government
Parliament House
Wellington

Dear Sir,

Re: The Auckland Regional Council Rate

The biggest obstacle to a satisfactory ARC Rate levy is the Annual Rental Value system in Auckland City. Without that dissident factor the predominant Land Value only basis could be determined annually, as at a common date and would be consonant with all the component Councils.

The Annual Rental Value is not only an anachronism and the sole relic of 1876,^o but is also inconsistent with Rating & Valuation law and practice throughout the rest of the country.

Now the law intends that the Annual Rental Value shall be not less than 5% of the Capital Value. It provides however that it shall be not less than 5% of the capital value of the fee simple. Under this dispensation who can gainsay the Auckland City Council valuations? The two are not the same (*infra*). If they are, the law should be changed accordingly.

Why does this relic persist? At very least the Annual Rental Valuations should be determined by the same valuers and rules that apply to the rest of the Region and the country.

The consequences of this loophole showed up in the 1963 poll demanded to convert to Land Value Rating in line with most of the surrounding Boroughs. Significant reliable reports prepared at that time include:

1. A change to Land Value would produce the usual re-incidence from suburbia to city centre, i.e. from the numerically greater, well-developed, suburban residential properties to decadent properties on the under-developed, most highly-valued land in N.Z. at the city centre.
2. Questionable deferment of the poll, from coinciding with 1962 municipal elections to a separate day in November 1963, allowed further time for progressive valuations that simulated the effects of a change to Land Value. This undermined the projected re-incidence and discredited other claims accordingly. Any re-incidence would be only local and insignificant, thus -

^oFormation of Local Govt. ex Provinces.

<u>Area</u>	<u>% AV to CV</u>
City Centre	6.5
Ponsonby	4.9
Grey Lynn	4.4
Pt. Chevalier	4.6
Avondale	4.5
Epsom	5.2
Remuera	4.1
Parnell	4.5
Tamaki	4.2

These Figures
are at variance
with the 5% rule
and avoided the
overall re-incidence

In addition to the valuation dispensation we now have the use of Differentials, not just to off-set tax advantage but to arbitrarily allocate the Rates, grossly at variance with cost/benefit signalled by land values. A Regional Rate on Land Values would reveal this clearly!

We suggest this is a major reason for the ARC's adoption of Capital Value last year and the problem with changing to Land Value this year. If there is some other reason why the present difficulties with the Capital Value Rate are being tolerated it should be explained: as against the simplicity of a comprehensive, concurrent annual valuation for the Land Value Rate, already being used predominantly, by popular vote originally, and by subsequent endorsement.

In May 1948 the Labour Party Conference* endorsed Unimproved Land Value Rating. In 1919 Walter Nash had successfully promoted it in New Plymouth, as did Norman Kirk in Kaiapoi in 1953. By 1986 90% of all municipalities had by poll adopted it, to finance 80% of all Local Govt. revenue.

In 1989/90 the New Right faction of the Labour Party withdrew the right to a poll; -deviously contrived reversions to Capital Value in Christchurch, Dunedin and Wellington; and attempted to make Capital Value Rating irreversible wherever it was in place or might be subsequently adopted - without the right to a poll now*.

Since then there has been a steady attrition, imposed by Councils reversing the democratic preference for untaxing improvements and the private investment of capital.

The Auckland Regional Council Rate is the Govt's. opportunity to assert Labour Party policy and to finance essential infrastructure on a cost/ benefit basis,

Yours faithfully

[1]

[1]

R.D.Keall
Hon. Secretary

*Detailed elsewhere and available on request.

HISTORY

Until 2006 Auckland City was the last remaining instance of Annual Rental Value Rating – a relic of last century.⁽¹⁾ The original Provinces of N.Z. drew their revenues from the sale and lease of land. When the Provinces were replaced by Local Govt in 1876 Rates were based on the Annual Rental Value, as in England. Within 6 years it became apparent that with most properties being sold rather than rented, the Capital Value was a more realistic base. Accordingly Councils were permitted to switch to or from Capital or Rental value by resolution. Both are based on the composite value of the land and improvements and should be but the capitalised/annualised version of the other.

About this time the writings of John Stuart Mill, Henry George and others drew attention to the unearned increase in land values generated by growing communities whether from pressure of population or derived from public works. As a result Sir George Grey and his associates not only introduced a Land Tax but also a measure allowing local Rates to be collected from land values alone if a poll of ratepayers required it. The measure was blocked by the Upper House for three years but in 1896 it became possible for 15% of ratepayers to demand that a poll be held to decide whether the Rates should be collected from the Unimproved Value only, exempting the improvements. Under this dispensation hundreds of Rating Polls were held so that by 1982, just 86 years later, 90% of all Municipalities had by poll adopted Land Value Rating which accounted for 80% of Local Govt revenue. The main dissidents were remote rural areas, a few Counties with a dairy factory carrying a big proportion of the Rates, the old Boroughs on the Auckland isthmus largely parasitic on Auckland City, Lower Hutt, then a dormitory suburb of Wellington without its own hard core of land values, and Queenstown – a wild-west-type speculators paradise.

It seems that during 1987 the then Government let it be known that it favoured Capital Value Rating - for the wrong reasons (supra). Accordingly in 1988 devious reversions to Capital Value began. Christchurch moved from partial Land Value back to Capital Value by Council resolution when we believe a poll should have been held. Dunedin fragmented its General Rate into Separate & Special Rates so they could then be changed by Council Resolution without recourse to the Ratepayers and despite their vociferous protest march. The Mayor Sir Clifford Skeggs threatened to take his Council to Court. The Council action was not in fact illegal but clearly a misuse of its powers. In 1953 the Dunedin Ratepayers had voted for Land Value Rating with a dramatic increase in building permits as a consequence. In Wellington, a year-long Rates Review Committee came down firmly in favour of retaining Land Value with an adjustment to the Differentials between City Centre and suburbs. Nevertheless the then Mayor contrived to have Capital Value narrowly adopted but needed an Order in Council to validate his procedures which a Q.C. and the local press regarded as illegal.

IN THE RATING POWERS ACT 1988/9 THE GOVT WITHDREW THE TRADITIONAL RIGHT TO DEMAND A POLL, at the same time as it propounded the merits of “local decisions locally made”!

Since the time of restructuring in 1989, the 90% of municipalities which by poll had adopted Land Value Rating has been reduced to about 40%. It must here be pointed out that **wherever Land Value Rating applies it has been adopted by poll of Ratepayers, representing a lot of work and profound social concern. Wherever Capital or Annual Value Rating applies it has been imposed by Govt or Councils, contrary to the express wish of the Ratepayers in almost every case.**

In 1990 the Minister then introduced a measure that would abolish Annual Rental Value Rating and would make Capital Value Rating irreversible wherever it was in place or might be adopted subsequently. The move failed and the Govt changed at the end of that year. Since then there have been several moves by Councils to revert to Capital Value. All have been so vigorously opposed by Ratepayers, even without the right to demand a poll that the Councils have backed off. A recent instance of this was the postal poll in Waitakere where a determined attempt by Council was rejected by more than 8:1, in line with others in Palmerston North, Horowhenua, Dannevirke, New Plymouth, Kaipara, Tararua, Waimakariri, Franklin and Northland. One or two moves have succeeded but have later been reversed. One or two changes have stuck – uncomfortably. Some have compromised with a mix of Land and Capital Value for no apparent reasons.

(1) In 2006 Manukau City adopted ARV. The change was fraught with dissent, illogical reasoning and has yet to be vindicated.

Appendix – AUCKLAND

Background

In 1962 a poll was petitioned for Auckland City to coincide with the local elections. "It was expected to fall like a ripe pear". The vested interests of Queen St contrived to have it deferred for a year while the Annual Rental Valuations were rigged through a loophole in the law. The Annual Rental Valuations were supposed to be 5% of the Capital Value (as determined by the Govt. Valuation Dept). In fact the law specified 5% of the "fee simple" of which there were as many opinions as there were people in Auckland. On this basis the Council set its ARVs at between 4.2% and 6.5% variously from suburb and city centre (documented details on request) This averted the normal re-incidence of Rates from the suburbs to city centre. Land Values in Queen St are valued by the centimetre. Gross underdevelopment persists.

The original ARA set up under Tom Pearce levied its own Land Value Rate via the component Councils. It became so successful that it appeared as a threat to the Muldoon Govt who ordered its demolition.

Bruce Jesson managed to retain some elements that make a useful contribution to the City's funding today.

A later Govt ordered the sale of public transport for crass ideological reasons – "Sell it", she said. The Supercity is now retrieving the bits in order to integrate the fundamental function of public transport.

The Royal Commission on Auckland Governance

The Chairman's Report, and our submission, were roughly in line, recommending progressive refinement of the status quo along the lines of the ARA. The Report made no reference to Rating, despite an oblique preference for Capital Value in the Terms of Reference, based on the "Rates Enquiry Report". That Report contained no evidence whatsoever in support of Capital Value Rating, in contrast with our Submission replete with evidence. Thus the Chairman's Report avoided a conflict with the empirical evidence favouring Land Value.

Within a week, before the ink was dry, the new Govt with ACT Minister for Local Govt, Rodney Hide, imposed their own agenda, with Capital Value Rating, and setting up the "CCOs" (Council Controlled Organisations?!) with Govt appointed chairmen, making them ripe for privatisation. That was stopped with Council appointed chairmen.

Rating. All the components of the Supercity had only ever been on Land Value Rating, except Auckland on Annual Rental Value. Recently Manukau had contentiously changed to ARV using the legal loophole to make all rates equal. (1) In 1960 Mayor Elsmore initiated the poll that adopted Land Value.

The Capital Value Rating imposed and the multiplicity of ineffective Wards/Boards provokes the moves to secede from the Supercity.

The Terms of Reference for the Royal Commission obliquely preferred Capital Value (supra). The government imposed it. The current Commission specifies it.

This is the real issue at stake! And the public ownership/private operation of the infrastructure.

1. Details on request.

