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FEEDBACK::

LINZ Cost Recovery Review – Stakeholder Perspective – June 2019

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This feedback is on behalf of the *Institute of Cadastral Surveying (ICS)*.

The ICS is an organisation whose membership is actively engaged in cadastral surveying.

This response represents the collective views of the ICS Executive Committee and is based on the experience and wisdom of our leadership team whom are passionate about the integrity and value of the survey system. It is also submitted in the best interests of landowners and the public - our clients.

We thank you for the opportunity to provide feedback on LINZ Cost Recovery Review.

General

It is pleasing to see a wide-ranging review being undertaken.

From the ICS point of view – the current situation lacks transparency and accountability. This opinion is borne from the knowledge that the funding of the entire Department is reliant of the generation of funds from land title and survey transactions. This is especially of relevance for those paying the highest of these transaction fees – our cadastral clients.

It is a shame that this review follows - rather than comes prior to – the LINZ and Government decision to proceed with STEP (Landonline Rebuild), noting the significant prioritisation and expenditure that this project will entail - and has already entailed.

Considerations

There are many factors which need to be taken into account in setting land information fees including - but not limited to:

- Historical perspective
- Promises made
- Government policy

- Beneficiaries
- Current Inequitable situations
- Regulatory regime and costs

Historical perspective

LINZ has travelled far in a relatively short time. From a situation where the wider survey system was funded almost entirely from Government appropriation under the Department of Lands & Survey in the mid 1980's, to a situation where it now appears to be fully funded (and some) by third-party search, survey and title fees since the early 2000's. (This is largely unbeknown to most practitioners). It is timely to explore both more diverse fees, and consider contribution by general or targeted taxes, rather than heavily burdening only cadastral users.

Promises made

The funding of Landonline (late 1990's–early 2000's) was based on one-off expenditure for a large capital project paid for by increased "cadastral" fees on the promise of ultimate fee reductions, very fast approval times and feedback on performance. None of these have been delivered consistently in our view. In terms of fees, the doubling of fees during the GFC has been maintained so as to over-recover not only all wider LINZ survey and titles costs, but regulatory, geodetic control, overhead, and rebuilding Landonline costs. LINZ officials seem only too eager to offer up third-party fees as a funding source for all and sundry as a monopoly situation exists.

Government policy

If government is serious about providing affordable land and housing, then survey fees need to start reflecting the cost of the actual service of plan examination rather than all of the other add-on's. Again, officials make the point that survey fees are only a small portion of development costs, but indeed all contribute. Survey search, registration and plan examination fees feed directly into the cost of land and housing and must be recovered by land developers.

It is also Government policy to only charge for services at cost – this appears to have been long forgotten in the current regime.

Beneficiaries

Cadastral users of the survey system are significant. However, with the advent of digital technologies using and relying on land information data (as background rich data within applications such as value-added spatial products; local authority spatial district plans and spatial overlays etc) - cadastral users are making up a smaller proportion of the end users for the cadastral information they generate with their land transaction. It would therefore be more appropriate to share costs over a greater variety of end users. Indeed, Government itself is a major consumer of cadastral data, but pays nothing.

Current Inequitable Situations

There are many inequitable situations currently. For example:

- Cadastral users have paid for building Landonline, the back-capture of much survey data to populate the database, the re-location and storage of records, imaging projects to image the records etc and yet still pay a search fee to access and re-access these digital records. This can create a disincentive to do a professional job (based on cost). And because some original records are so difficult to locate, some jobs are now extremely time-consuming and expensive to undertake. Yet non-cadastral users of this bulk data, can download it free of charge from the LINZ Data Service (LDS) – for example.
- Those same cadastral users contribute most of this rich data to the system, and by submission of data (paid for by third-parties), upgrade the accuracy and further populate the databases for others to benefit from. There needs to be some discounting to cadastral users based on this component.

- It is very unreasonable for third-party fees to fund Court proceedings (especially when the Court finds fault with Departmental actions) or pay Court fines. No wonder the Crown has deep pockets when they are defending their position when it is effectively funded by third-party fees.

Regulatory Regime and Costs

Fees cannot be considered in isolation to the regulatory regime. Since Landonline was introduced there has been no resultant saving in survey costs. Where there may be some advantages, they are generally offset by other disadvantages.

The changes that have occurred in the “Landonline” period include:

- direct capture and data matching of datasets by surveyors (not LINZ);
- more prescription around balance parcels, limited titles and resultant higher compliance costs around a more prescriptive process;
- less access to officials and common-sense interpretation of land information complexities;
- reduction in core Departmental technical knowledge;
- longer connection distance requirements to survey control;
- higher costs of re-definition and natural boundary portrayal (second ‘construction’ vectors from a point etc)

These additional regulatory requirements may contribute to a more robust system for the benefit of future landowners and others, yet are paid for by the landowner or developer. These additional inputs need to be recognised in the setting of fees.

Who to Charge

In the internationally recognised *Ease of Doing Business Index*, NZ is at the top. (<https://www.doingbusiness.org/en/rankings>) The NZ government takes great pride in this and sees it as a valuable accolade. This ranking benefits the country as a whole.

One item within the list of measures for this index relates to the ease of registering property transactions. As the benefit is to the whole country it is obvious that the costs of running the system should be borne by those who benefit from it. In this case therefore the costs of running the cadastral side of LINZ should either be paid solely out of the tax system or by a duty on property transactions.

While there is some benefit in the system to those populating the cadastre, this is no more than the benefit to those involved in transferring property. So, it’s not fair to place the burden of the majority costs on one set of users.

It would be hard to argue that a component of the work on the cadastre can be anything other than for the public good.

Other Comments:

- Plan processing/examination fees should only pay for the cost of this service (and not overheads, Landonline rebuilds etc).
- Some recognition of the contribution to the “public good” or “national good” needs to be acknowledged and accounted for.
- It is appropriate for cross subsidisation – a smaller fee (registration) over many transactions is far more equitable than very high fees over few transactions (ie: there are only ~10,000 survey plans per year but ~300,000 registration actions). To recover \$1m, this translates to \$100 for survey plan fees or \$3.33 for a registration activity.

- The notion that fees are based on the “ability to pay”, ignore the inflationary impacts on the cost of land and housing.
- Local Authorities should provide a large chunk of revenue – general rates target property owners (as opposed to other sectors of the community who do not own property).
- Much of the regulatory, system modernisation, indirect and overhead costs should come from Crown appropriation (general taxation). This is one of the costs of the Crown Guarantee of Title, a robust financial system, and a modern society.
- Search fees are counter-productive to doing a thorough professional job. So too are re-submission (requisition) fees when they are so poorly targeted to rule compliance, rather than sound decision making.
- Use of a memorandum account appears very rudimentary, and without further analysis, gives little clue to the real costs of the land information process.
- Few members of the public, who now expect spatial land information data for free on the internet, stop to think of who has paid for the source data or where it comes from. Sadly, many probably wouldn’t care even if we told them, but that is no reason for the survey profession and its clients to fund the data the government sells or provides to other parties.