

1928.
NEW ZEALAND.

RATING OF FARM LANDS IN BOROUGHS

(REPORT OF THE COMMISSION OF INQUIRY INTO CERTAIN MATTERS AFFECTING THE).

Presented to both Houses of the General Assembly by Leave.

COMMISSION.

APPOINTING A COMMISSION TO INQUIRE INTO AND REPORT ON CERTAIN MATTERS AFFECTING THE RATING OF FARM LANDS IN BOROUGHS.

CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to ROBERT MACKENZIE WATSON, Esquire, of Feilding, Stipendiary Magistrate; WILLIAM THOMAS STRAND, Esquire, of Lower Hutt, Farmer; and WALTER NASH, Esquire, of Wellington, Secretary: Greeting.

WHEREAS complaints have been made to the Government as to the amount of rates levied by the Councils of certain boroughs on the lands within such boroughs, and as to the amount of special rates levied on lands which, after becoming liable for such special rates, have subsequently been excluded from such boroughs:

And whereas representations have been made that the amount of rates levied by the Councils of such boroughs on such lands within the said boroughs as are used solely for farming purposes is excessive, having regard to the benefits received or likely to be received by those lands from the works carried out or proposed to be carried out by the Councils of such boroughs:

And whereas it is desirable that inquiry should be made as to the incidence of rates on lands in the Borough of Feilding, having regard to the purposes for which such lands are used and occupied, and as to the amount of special rates levied on lands which after becoming liable for such special rates have been excluded from the Borough of Feilding:

And whereas it is expedient that inquiry should be made in the Borough of Feilding into the working of the existing laws relating to the incidence of rates on lands in boroughs, having regard to the purposes for which such lands are used and occupied and to the purposes for which such lands are applied, and relating to the continuing liability for special rates of lands severed from boroughs, and the levying of special rates on land so severed:

And whereas legislation has been proposed to make special provision in respect of the several foregoing matters:

Now, therefore, I, General Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, in pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, and for the purposes herein set forth, do hereby appoint you, the said

ROBERT MACKENZIE WATSON,
WILLIAM THOMAS STRAND, and
WALTER NASH,

to be a Commission to inquire into and report upon the following matters:—

- (1) Whether it is practicable or desirable in any way to vary, by means of a system of classification of lands, or differential rating, or both, or by any other means, the incidence of rates and the relative amount of rates (whether general, special, or any other kind) that are or may hereafter be assessable in respect of any lands in the Borough of Feilding or any lands that have been excluded therefrom.
- (2) Whether, in the event of your reporting under the last preceding paragraph hereof in favour of a system of classification of lands, or differential rating, or both, or in favour of some other means of variation of rating, in the Borough of Feilding, it is in your opinion practicable or desirable to apply the system or means so recommended by you to boroughs which include or formerly included lands used and occupied for farming purposes; and, if so, by what method.
- (3) Such other matters affecting or incidental to the foregoing as may come under notice in the course of your inquiries and as you may think it necessary and desirable to consider.

And with the like advice and consent I do further appoint you, the said

ROBERT MACKENZIE WATSON,

to be the Chairman of the said Commission.

And you are hereby authorized to conduct any inquiry under these presents at such times and places as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and examine on oath or otherwise such persons as you think capable of affording you information as to the matters aforesaid, and to call for and examine all such books, papers, writings, documents, and records as you deem likely to afford you the fullest information on any such matters.

And, using all due diligence, you are required to report to me, under your hands and seals, not later than the fourteenth day of August, one thousand nine hundred and twenty-eight.

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents or by my direction, the contents or purport of any report so made or to be made by you.

And it is hereby declared that this Commission shall continue in full force and virtue although the inquiry be not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency the Governor-General of the
Dominion of New Zealand, and issued under the Seal of that Dominion,
[L.S.] this 9th day of July, 1928.

A. D. McLEOD, Minister in Charge of Valuation.

Approved in Council.

F. D. THOMSON,

Clerk of the Executive Council.

REPORT.

To His Excellency General Sir Charles Fergusson, Bart., G.C.M.G., K.C.B.,
D.S.O., M.V.O., Governor-General of the Dominion of New Zealand.

MAY IT PLEASE YOUR EXCELLENCY,—

The Commission entrusted to your Commissioners directed them to inquire and report upon the following matters:—

- (1) Whether it is practicable or desirable in any way to vary, by means of a system of classification of lands, or differential rating, or both, or by any other means, the incidence of rates and the relative amount of rates (whether general, special, or any other kind) that are or may hereafter be assessable in respect of any lands in the Borough of Feilding or any lands that have been excluded therefrom.
- (2) Whether, in the event of your reporting under the last preceding paragraph hereof in favour of a system of classification of lands, or differential rating, or both, or in favour of some other means of variation of rating, in the Borough of Feilding, it is in your opinion practicable or desirable to apply the system or means so recommended by you to boroughs which include or formerly included lands used and occupied for farming purposes, and, if so, by what method.
- (3) Such other matters affecting or incidental to the foregoing as may come under your notice in the course of your inquiries and as you may think it necessary and desirable to consider.

The Commission, dated 9th July, 1928, required your Commissioners to report their opinion on the foregoing matters not later than the 14th day of August, 1928.

Your Commissioners duly advertised the sitting of the Commission in newspapers published in the Boroughs of Palmerston North (two) and Feilding, and assembled at Feilding on Friday, the 13th July, 1928, commencing their sittings at the Courthouse, Feilding, on the morning of the following Monday. They held six public sittings in Feilding and three in Wellington, and took evidence at considerable length. Recognizing the importance of giving publicity to their inquiries, your Commissioners afforded all facilities to the press and to the public to attend the sittings, and to interested persons who could not attend to submit their views by correspondence.

Enclosed herewith (Schedule A) are full notes of the evidence, with Appendices, and of addresses taken by the Commissioners at the public sittings of the Commission.

I. FEILDING INQUIRY.

(a) SITUATION OF FARM LANDS NOW OR FORMERLY IN THE BOROUGH OF FEILDING.

The Feilding Borough was constituted in the year 1881 (*N.Z. Gazette*, 1881, page 881), and some twenty years later the system of rating on the basis of the unimproved value was adopted (*N.Z. Gazette*, 1901, page 913). That system has remained continuously in force. The borough as originally constituted comprised some 3,558 acres.

As from 1st April, 1902, the boundaries of the borough were altered by the exclusion of an area of approximately 1,138 acres of farm lands, which thereupon became included in the County of Oroua (*N.Z. Gazette*, 1902, page 732). The annual rates paid by the Oroua County to the borough in respect of this area amount at the present time to the sum of £2 10s. 4d., so that no question of adjustment of the incidence of these rates need be considered, and the lands included in the 1902 exclusion are not hereinafter referred to in this report where reference is made to farm lands now or formerly within the borough. As from 1st April, 1924,

the boundaries of the borough were further altered by the exclusion of an area of approximately 381 acres of farm lands, which thereupon became included in the County of Oroua (*N.Z. Gazette*, 1924, page 18). On 12th December, 1924, a further and last exclusion from the borough and inclusion in Oroua County, of some 60 acres of farm lands, was gazetted (*N.Z. Gazette*, 1924, page 2952).

The lands comprised in the two 1924 exclusions are shown on the plan (Appendix A) produced in evidence by the Town Clerk, and are therein respectively referred to as "first exclusion" and "second exclusion." With more detail these excluded lands are also shown on the plan produced by the Oroua County Clerk (Appendix E). The borough boundaries were further altered by inclusions of lands to the west of the borough, previously in the County of Manawatu.

Apart from the excluded farm lands, the Borough of Feilding contains an area of approximately 600 acres of farm lands. These lands for the most part lie to the north of North Street, and along the borough boundary of the Oroua River.

(b) RATING OF FARM LANDS NOW OR FORMERLY IN THE BOROUGH OF FEILDING.

The plans hereinbefore referred to show the rating position of the existing assessments of farm lands now or formerly in the Feilding Borough. An examination of the plans will disclose the high rating of these farm lands. To give a single example from the evidence: Mr. J. M. Turnbull, who owns on Sherwill Street 10 acres which he has farmed for over ten years, had his rates in respect thereof increased from £12 3s. 9d. in 1918 to £23 10s. 10d. in 1928–29. He receives no borough service in respect of water, sewerage, or footpaths; and he stated in evidence that no work had been done for a considerable period on the roadway fronting his property. Mr. Turnbull claims that he receives no benefit from the borough loans, and it is obvious he can at present receive but little.

The heavy burden of special rates on the farm lands now or formerly in the Borough of Feilding is well exemplified by the fact that £63,883 of the total borough debt of £175,714 is on account of loans for water-supply. The rates to meet the interest and sinking fund on these water-supply loans are levied on all lands, irrespective of whether they receive the water or not. A large portion of the burden of these rates is carried by farm lands to which the water-supply is not available.

Your Commissioners consider that it is a fair deduction from the evidence—

- (i) That the occupiers of farm lands now or formerly in the Borough of Feilding do not receive adequate benefit by way of borough services for the rates paid by them.
- (ii) That the rates paid by such occupiers are generally excessive, having regard to the fact that the said lands, so far as can be estimated, cannot be used for other than farming purposes.

(c) DESIRABILITY OF CLASSIFICATION OF LANDS NOW OR FORMERLY IN THE BOROUGH OF FEILDING FOR DIFFERENTIAL RATING TO AFFORD RELIEF TO OCCUPIERS OF FARM LANDS.

The consideration of this matter necessitates consideration of the general question of classification of borough lands, and of the desirability and practicability of affording, by means of differential rating, relief to farm lands included, or formerly included, in boroughs.

It will be observed from the evidence that the Valuer-General (Mr. T. Brook) was strongly in favour of, and that there was from the other witnesses general support of and little opposition to, the application of a differential system of rating which would secure a measure of rating relief to the occupiers of farm lands in boroughs, who of necessity require comparatively large areas for their farming pursuits, and who do not receive or require the same extent of service as is afforded to the occupiers of business and residential areas. It was, however, stressed that classification of borough lands to effect such differentiation in rating should be approached with considerable care, and, as the circumstances of each borough vary greatly, should be applied only after careful inquiry into those circumstances, and especially into the debt, income, expenditure, and rating of the particular borough. In this connection your Commissioners quote from the evidence as follows:—

SIR GEORGE FOWLDS. (Page 24.)

The Chairman.] I understand that what you say is that if any modification of the existing system of rating, whether that rating be on the unimproved value, capital value, or annual value, is necessary to secure a greater measure of justice, then you would agree that such modification would be proper if it were done by giving relief to a certain area or to a certain amount of land?—Yes.

And you think that inquiry should be made into each individual case?—Yes.

Mr. Nash.] If a system could be worked out creating charges in proportion to the value received, do you think that would be better than the present system?—Yes; it might be possible to do what you suggest by adopting a zoning system, but that would be a waste of time, in that the unimproved-value system of rating is in itself a zoning system.

MR. H. D. BENNETT. (Page 119.)

Mr. Nash.] You have seen the classification scheme that was proposed to the Commission by the Valuer-General?—I have not seen it.

[*Mr. Nash* briefly explained the classification scheme (see page 15) to witness, and asked whether he (*Mr. Bennett*) considered the scheme, if well worked out, would give the relief desired.]

Mr. Bennett: I think so. That certainly seems to meet the point that I had in my mind.

Mr. Strand.] Would it be necessary for any tribunal set up to classify a district to go through that district very carefully, and take all the circumstances into consideration?—Yes.

And if that is done, you think that a greater measure of justice would be secured than under the present system?—Yes, I do.

The Chairman.] You have told us that in your opinion local conditions vary very greatly. Would you, as a result of that, tell us whether you think it is wise that, in dealing with the question of giving what you have told us is the necessary relief to farm lands in boroughs, a careful and detailed investigation is necessary in the case of each individual borough dealt with, with provision for reclassification when such reclassification becomes necessary?—You cannot escape it, sir. It would be impracticable to lay down a fixed formula.

You think that, generally speaking, legislation could not be made applicable without careful detailed inquiry into each case?—Yes; all that is required is the application of a formula for setting up the machinery, so that when set up it will be possible to go into the merits of each and every application.

MR. MARTIN LUCKIE. (Page 131.)

Mr. Strand.] I think you have made it quite clear, *Mr. Luckie*. I do not think, after expressing the views you have, it is at all necessary to question you about exclusion. On broad principles, if exclusion is not a remedy, would you strongly advocate classification?—Undoubtedly.

Mr. Nash.] You mentioned in your evidence a principle upon which everybody appears to be agreed: that the rates should be levied in proportion to the services rendered or the benefits conferred by the expenditure of public money?—Undoubtedly.

If, then, classification achieves that object better than the present system, you think classification ought to be brought in?—To make the best out of a bad bargain as far as it can go, I quite agree.

MR. P. J. O'REGAN. (Page 140.)

Mr. Strand.] If a man is charged for something that he is not getting and cannot get, and which it was never intended that he should get, and he is not receiving anything indirectly by way of increased value, then he is being rated unjustly?—I would answer that in the affirmative.

In cases like that, do you think some system ought to be brought forward by which he could be relieved, and those that are receiving the immediate and direct benefits should pay for what they receive?—Yes, I agree. I would qualify those answers by saying that I consider that the payers of rates are not necessarily those who can be relied on to give a correct opinion.

Mr. Nash (page 141).] You have examined the proposals for the classification of lands for rating purposes as presented by the Valuer-General?—I have.

What do you consider will be the effect if such a system of classification is put into operation in the Dominion?—I should say that, if it will remove the injustice indicated, a case has been made out for classification, but it is a system which could be very easily abused. It should be a *sine qua non* that it should never be applied on the initiative of the local body. The Valuer-General is the man who should be entrusted with the responsibility.

You mentioned the case of farmers complaining of hardship. If we can cite cases from our own knowledge that are likely to be repeated in other parts of the Dominion, where farmers are paying larger sums than they should pay by way of local rates, do you consider relief should be given if it can be given?—Yes; and I am prepared to approve differential rating, provided it is surrounded by proper safeguards.

The Mayor of Marton, *Mr. F. Purnell*, wrote to the Commission as follows:—

May I express the firm opinion, as a result of many years' observation and experience, that in equity it would seem highly desirable that, where farming-lands are included in borough areas, there should be some means of classification of such lands in order that they should obtain some measure of relief from the payment of borough rates, particularly in regard to water, sewerage, and what may be termed "service" special rates where they do not at present get any benefit: and where there is no chance, or probably only the remotest chance, of obtaining any benefit of such services in the future or during the currency of the special loan. I am, however, firmly of the opinion that it would be dangerous to apply hard-and-fast legislation. Every individual borough and its special circumstances should be considered entirely on its merits, and the legislation should only be enacted to provide the machinery to enable the question to be effectively and definitely dealt with as indicated above.

(d) SUGGESTED ALTERNATIVES TO DIFFERENTIAL RATING.

Your Commissioners have given careful consideration to several alternatives to differential rating which were suggested to them:—

(i) *Exclusion*.—The provision for exclusion from a borough is set out in section 132 of the Municipal Corporations Act, 1920.

Your Commissioners do not consider that exclusion is an effective means of affording relief from excessive rating to the occupiers of farm lands in boroughs, for the following reasons:—

(1) As the law now stands, the excluded lands remain liable for the special rates levied upon them as securities for loans, and it is difficult to see how the excluded lands can be freed from the burden of interest and sinking fund on special loans without affecting the security of the lender.

(2) The statutory test of “suitability or otherwise for municipal control” is, in the opinion of your Commissioners, the proper test, and it may well be, as the present Commissioners found in the recent Otaki Borough inquiry, that some farm lands can be more suitably controlled by a borough than by the county adjoining that borough.

(ii) *Zoning*.—It was suggested to the Commission that it might be possible to give relief to borough farm lands not receiving benefit from rating by the adoption of a zoning system.

As your Commissioners understand the term, zoning refers to the specialization of certain areas in certain uses (see “Elements of Land Economics,” Ely and Morehouse, 1924 (Macmillan Company, New York), at page 85). Zoning may be the result of natural growth, or comprehensive town-planning, and where it obtains in New Zealand is, very largely at any rate, the result of the former. In the opinion of your Commissioners the location of land in New Zealand boroughs is generally a matter which influences the use of that land but does not determine it. Your Commissioners consider that any tendency in the Borough of Feilding towards zoning could, if necessary, be taken into consideration when classifying land for differential rating.

(iii) *Special-rating Areas*.—It was suggested to your Commissioners that the anomalous position of farm lands now or formerly in boroughs, in respect of rating, could be remedied by confining the levying of rates, to cover interest and sinking fund on the loan for any particular service, to the area served. In some cases this might be the correct procedure, but it is in practice difficult to confine the benefit of any particular service exclusively to the area actually served, for the following reasons:—

(1) In the cases of water and sewerage schemes, material is often provided sufficiently large to allow of extension, as and when desired, to lands outside the area particularly served, and to the extent of the added expenditure on account of ultimate extension the rates charged on the special area particularly served are then not in proportion to the benefit received by that area, and correspondingly the areas outside to which the service may be extended are freed from payment of their just proportion of rates.

(2) Even though the service of a sewerage system is confined to a limited area, some advantage automatically accrues to lands in the areas in proximity thereto.

Moreover, difficulty may be occasioned (as was indicated to your Commissioners in respect of a specific case outside Feilding) in raising a loan, owing to the fact that the lender would not accept the limited area proposed to be served as security, but demanded that the whole of the lands within the local authority should be rated to provide interest and sinking fund for the loan.

(iv) *General Government Relief*.—It was submitted to your Commissioners in Feilding that relief should be given to farm lands in the borough, but that if it was given the amount of such relief should be paid by the Government to the borough

from the Consolidated Fund. This your Commissioners are unable to recommend. The granting of relief from the Consolidated Fund in the case of Feilding would induce similar claims from other boroughs containing farm lands. In the event of such claims being granted, the burden of any mismanagement in boroughs would largely fall upon persons resident outside those boroughs, who in some cases would be the inhabitants of local-government districts which have, by careful management and prudent expenditure, kept their own rating from becoming burdensome. In general, your Commissioners do not think it wise that the general taxpayer should be compelled to bear, either in whole or in part, the burden of a local body's indebtedness.

(e) DIFFERENTIAL RATING AS A PRINCIPLE.

The principle of differential rating is by no means new. In England, under the Lighting and Watching Act, 1833, owners and occupiers of farm land paid one-third of the rate paid by owners and occupiers of houses, buildings, and property other than land; under the Public Health Act, 1848, farm lands paid one-fourth of the rates levied under that Act; under the Agricultural Rates Act, 1896, farm lands paid one-half, in respect of poor-rate, of the rate in the pound payable in respect of buildings and other hereditaments. (The proportion was subsequently reduced to one-fourth by the Agricultural Rates Act, 1923.)

In New Zealand, for benefit from works in land-drainage and River Board areas, classification of lands involving differential rating has long been in force; and in 1913 a differential rating for water-rates was enacted, and is now embodied in section 84 (1) of the Municipal Corporations Act, 1920.

In New South Wales, under the Main Roads Act, 1924 (section 11), rural primary-production lands received partial exemption of one-half on the amount requisitioned by the Main Roads Board upon Councils under the Act.

Professor Edwin Cannan ("History of Local Rates in England in relation to the Proper Distribution of the Burden of Taxation," second edition, 1912, at page 193) says:—

Our object should be to harmonize, so far as possible, the interests of different kinds of rate-payers, so as to make the separate interest of each kind promote the joint interest of the whole. This end will be secured completely only if contribution to expenditure is exactly proportionate to benefit received from the expenditure. Perfection being impossible, we must not expect exact correspondence under any system, but approximation is possible. The differentiation under the Lighting and Watching Act, 1833, as we have said, was introduced under the influence of the idea that agricultural land did not require lighting and watching as much as houses and buildings of all kinds do. The differentiation in favour of agricultural land, railway-lines, and canals under the Public Health Act, 1848, was inspired by the idea that these properties did not require the paraphernalia which could be provided under that Act so much as buildings do. It seems, however, obviously undesirable to have a number of differentiations for different kinds of expense. The greater harmony of interest which might be secured by this method would be dearly bought by the complications of finance which it would introduce. Different classes must put up with trifling discrepancies in particular cases of expenditure if they get equality on the whole. The question is, then, whether one single differentiation should be applied to the whole of the "beneficial" expenditure, and in attempting to answer it the best plan seems to be to assume a flat rate to start with, and ask what case there is for partial exemption.

In considering English conditions it must, however, be continually borne in mind that the system of rating there is on the annual value, and that conditions there materially differ from those obtaining in local-government districts in New Zealand.

(f) EFFECT OF DIFFERENTIAL RATING IN THE BOROUGH OF FEILDING.

The amount collected from farm lands now or formerly in the Borough of Feilding is approximately one-ninth of the total amount levied (*vide* Schedule A, page 2). According to the computation of the Town Clerk (*vide* Schedule A, Appendix G), in order to provide the undermentioned percentages of relief from rates to the occupiers of farm lands it would be necessary to strike and levy over the remainder of the borough the following additional rates and percentages of rates:—

- 10 per cent. relief: $\frac{3}{32}$ d. in the pound, or 1·328 per cent.
- 20 per cent. relief: $\frac{3}{16}$ d. in the pound, or 2·656 per cent.
- 40 per cent. relief: $\frac{3}{8}$ d. in the pound, or 5·312 per cent.
- 50 per cent. relief: $\frac{5}{8}$ d. in the pound, or 6·656 per cent.

It follows, therefore, that in the case of Feilding a considerable measure of relief could be given to farm lands without placing a very large additional burden on the remaining portion of the borough.

(g) RECOMMENDATION.

Your Commissioners, after careful consideration of the evidence, and especially of the arguments submitted to them for and against classification of borough lands, recommend the adoption of a system of differential rating, based upon classification of lands, in order to give rating relief to the occupiers of farm lands now or formerly in the Borough of Feilding.

Your Commissioners are further of opinion, and recommend, that such differential rating should only be applied in the case of the Borough of Feilding if Your Excellency sees fit to act upon the recommendation hereinafter contained as to the application of differential rating of farm lands in, or formerly included in, boroughs generally, and in that event in accordance with the method recommended in reference thereto.

II. GENERAL APPLICATION OF SYSTEM OF CLASSIFICATION OF LANDS FOR DIFFERENTIAL RATING OF FARM LANDS NOW OR FORMERLY IN BOROUGHES.

(a) THE INEQUITY OF THE PRESENT POSITION OF OCCUPIERS OF FARM LANDS AS REGARDS CONTRIBUTION TO BOROUGH RATES.

Your Commissioners in the present inquiry, and in the Otaki Borough inquiry recently conducted by them, have received representations from numerous occupiers of farm lands now or formerly in boroughs in the North Island, and also from persons who have studied the rating systems of the Dominion. There was general agreement that the rates levied should be, as far as possible, in proportion to the services rendered or benefits conferred by the expenditure of loan-moneys and revenue derived from rates. With these representations your Commissioners are in complete accord, and submit for Your Excellency's consideration some of the advantages and disadvantages accruing to farm lands now or formerly in boroughs, which should be measured when determining the proportion of rates which should be paid according to the benefits conferred and services rendered:—

(i) Occupiers of some of the farm lands are benefited by appreciation in the value of their holdings through proximity to the borough and the market which its population affords. One witness, the occupier of a dairy farm, was able to sell his milk at 1d. per quart below the standard price without reducing his income below the average net return of like businesses. This advantage was almost entirely due to the fact that his customers were in the same locality, and were thus able personally to fetch their milk-supplies. Another witness admitted the added value to his orchard from its proximity to the market of the large town in which his land was situated.

(ii) When the installation of water and sewerage schemes is being considered, the area, value, and needs (immediate and future) of boroughs should be taken into account. Some schemes are so drafted as to make the proposed services available to all lands, as may be required. Even though the facilities are not immediately extended to all the lands of the borough, such lands will be in some degree benefited if connection with the water and sewerage schemes will ultimately be required by them. This being so, the rates required to cover interest and sinking funds should be levied on lands, as far as can be measured, in proportion to the extent by which they are benefited.

(iii) The annual loan charge per head of population on persons dwelling in local-government districts in New Zealand has risen from £1 7s. 7d. in 1921 to £2 16s. 4d. in 1927 (see "Local Authorities Handbook," 1928, page 131). If it may in fairness be assumed that the majority of the present occupiers of farm lands in boroughs in the Dominion purchased or leased their holdings prior to 1921, and that the indebtedness of boroughs receiving rates from farm lands has grown in equivalent ratio to the other local government bodies of the Dominion, then it is clear that the rating of farm lands in boroughs has more than doubled since 1921.

(iv) Owing to the fact that a comparatively large area is needed for economic farming, the value of farm land is necessarily high. This high value entails heavier charges by way of rates for particular services than those levied on lands used or fitted for residential and business purposes. Moreover, farm lands in general neither

require nor receive the services for which they are rated to such an extent as do the residential and business portions of a borough. Those services are mostly utilized by, or are at the disposal of, the inner or residential and business areas of the boroughs. Having regard also to the fact that the value of farm land is almost entirely determined by the quantity and price of the products from such land, it is clear that the increase in rating since 1921 must entail considerable burden on lands which can only be utilized for farming purposes. In the opinion of your Commissioners it may be generally stated that, in the cases of boroughs in the Dominion which obtain rates from farm lands, the occupiers of those farm lands do not receive benefits commensurate with the rates imposed.

(v) It was stated in evidence that any relief given by way of reduction of rates would be lost, in that it would be reflected in a higher price for the land. While this is correct, it does not justify the continuance of an unjust rate burden on lands which are not receiving value from the expenditure of public moneys. It would seem a fair deduction that the longer the injustice remains the more chance there is of owners being forced to sell at low prices because of heavy rating, and of a new owner reaping an undeserved benefit if and when a more equitable system of rating is brought into force.

Your Commissioners are of opinion, as the result of their inquiry and consideration of the advantages and disadvantages set out above, that the occupiers of farm lands now or formerly in boroughs have of recent years been placed in an inequitable position, and that this inequity has been accentuated by the fact that on polls in connection with loans the occupiers of farm lands in boroughs are generally in the minority. In almost all cases, ratepayers in farm areas are few in comparison with those in the residential and business portions of the borough; and it follows that on a poll the ratepayers in a farm area may be outvoted.

(b) PREVIOUS ATTEMPTS TO CORRECT THE ANOMALOUS RATING POSITION OF FARM LANDS IN BOROUGHS IN NEW ZEALAND.

The inequity of rating of farm lands in New Zealand has been recognized for some years past, and attempts have been made to correct it.

(i) *Special Valuations of Farm Lands*.—Your Commissioners refer to the Wellington City Empowering and Special Rates Consolidation Act, 1923 (section 10); the Rangiora Borough Valuation of Farm Lands for Rating Purposes Act, 1924; and the Maitāwhiri Borough Valuation of Farm Lands for Rating Purposes Act, 1925. It is proposed by the Municipal Corporations Amendment Bill now under consideration by Parliament to repeal these local Acts and to apply a provision, similar to that contained in those Acts, generally to boroughs and town districts not forming part of any county.

While your Commissioners consider that it may well be that that special valuation of farm lands in boroughs will afford an easy and at the same time a sufficiently efficient remedy in certain cases, they are of opinion that this method is open to objection, for the following reasons:—

- (1) The initiation of special valuation rests with the Council of the local authority, which generally represents a majority of ratepayers who are not owners or occupiers of farm lands.
- (2) In the opinion of your Commissioners it is advisable, so far as is possible, to have only one basis of valuation of lands.
- (3) Differentiation of rating can generally best be effected through rating, and not through valuation.

(ii) *Exclusion of Farm Lands from Boroughs*.—In a number of boroughs, chiefly in the North Island, attempts have been made by owners of farm lands to escape heavy borough rating by obtaining exclusion from the particular borough. Any such exclusion allowed because of the desire of occupiers of farm lands to escape heavy rating, rather than on the grounds of the unsuitability of their lands for municipal control, is, in the opinion of your Commissioners, not in accordance with statute, nor is it the proper test of exclusion. The procedure in many cases has not been effective, for the reason that excluded lands remain liable for special rates in respect of loans on the security of such lands.

(iii) *Remits regarding Differential Rating dealt with by the Municipal Association of New Zealand.*—In July, 1923, the following remit was proposed to the conference of delegates of the Municipal Association of New Zealand held at Christchurch :—

That Borough Councils in whose districts arable lands are being farmed shall be given the following powers :—

- (a) To determine by resolution which particular parcel or parcels of land within the borough are farm lands, provided that no area under 5 acres in extent shall be classified as farm lands :
- (b) To allow a uniform rebate to owners or occupiers of farm lands of such an amount as the Borough Council shall determine upon the general rate struck in the borough for any particular year.

This remit was lost. In the opinion of your Commissioners, the proposal that the Borough Council should determine the amount of the rebate to be uniformly allowed to owners or occupiers of farm lands upon the borough general rate for any particular year was not a wise one.

In 1924 the following remit was proposed to a similar conference held at Auckland, and was carried :—

That the Government be requested to pass legislation at the earliest opportunity to enable Town Boards to give differential rating over agricultural lands.

(c) RECOMMENDATION OF CLASSIFICATION OF LANDS NOW OR FORMERLY IN
BOROUGHES FOR DIFFERENTIAL RATING.

Your Commissioners having already recommended the adoption of a system of differential rating based upon classification of lands, in order to give relief to the occupiers of farm lands in the Borough of Feilding, are of opinion, after careful consideration of the whole of the evidence, that such a system may be applied generally to boroughs which include, or formerly included, lands used and occupied for farming purposes.

Classification for differential rating of the land formerly in boroughs will necessitate in most cases some modification of the financial adjustment between the borough and the county. Your Commissioners would here point out that the rate charges per acre in respect of lands situate in the outer areas of a borough are generally many times greater than the rates on contiguous lands of equal producing-value in the county, the charges on the borough lands being generally heavier than the lands can reasonably bear if they are to yield a fair return for labour and capital outlay.

(d) NECESSITY FOR CAREFUL INQUIRY IN THE CASE OF EACH PARTICULAR BOROUGH
DEALT WITH.

It was stressed by numerous witnesses that, before classification was applied to borough lands, careful and detailed investigation should be made into all the circumstances of each individual local authority dealt with. With this your Commissioners are in entire agreement, being of opinion that in particular the following matters should be taken into consideration :—

- (i) Full data of the borough history, valuation, indebtedness (with particular reference to loans for special areas), rating, and the important feature of whether the borough is a growing one or stationary, or decadent ;
- (ii) The benefits received by the borough farming-lands, and the rates paid by them ;
- (iii) The proportion of the borough farming-lands to the other lands in the borough.

(e) METHOD OF APPLICATION OF CLASSIFICATION OF LANDS FOR DIFFERENTIAL
RATING OF FARM LANDS NOW OR FORMERLY IN BOROUGHES.

In recommending the following procedure for the application in proper cases of classification of lands for differential rating of farm lands now or formerly in boroughs, your Commissioners have endeavoured to set out as fully as possible the procedure which they think should be adopted :—

(i) Any occupier or occupiers of land which is situated in a borough and is used for farming purposes may petition for a classification of the land occupied by him or them for differential rating.

(ii) If your Excellency considers that a *prima facie* case has been made out for inquiry into classification, a notice setting out that classification will be inquired into, and if necessary undertaken, may be forthwith gazetted and publicly notified.

(iii) Your Excellency thereupon to appoint one or more fit persons, with the powers of a Commission under the Commissions of Inquiry Act, 1908,—

(1) To examine into and, if found necessary, to classify all lands within the district into two or more of the following classes:—

Class A—Building-land: *i.e.*, land suitable for building purposes and having a frontage to a road or street.

Class B—Potential building-land: *i.e.*, land having a potential building-value and other than the land included in Class A.

Class C—Farm lands: *i.e.*, land used for farm purposes and not suitable for building purposes.

(2) If found necessary, to apportion the borough rates between the several classes to such extent and in such proportions as the said person or persons so appointed may deem necessary and advisable.

(iv) When any classification list is made as aforesaid, the person or persons so appointed shall sign the same, and cause public notice of the classification to be given, and of the place where the classification list may be inspected for a period of twenty-one days; and the person having the custody of such classification list shall permit the same to be inspected during office hours by the owner or occupier of any land included therein, or by any person acting for and on behalf of the Council of the borough.

(v) (a) Any person who thinks himself aggrieved by such classification may lodge objection against the same on the grounds following, and no other:—

(1) That the classification does not fairly classify the land of the objector; or

(2) That any land liable to be classified is omitted from the classification or is not fairly classified.

(b) The Borough Council may in like manner lodge objection on the ground that any land is omitted from the classification or is not fairly classified.

(vi) Notice of objection setting out the matter objected to and the cause of objection must be given to the Clerk of the Magistrate's Court in or nearest to the borough within seven days next after the expiration of the twenty-one days appointed for the inspection of the classification list.

(vii) (a) In case any objections have been lodged as aforesaid, the person or persons so appointed shall, as soon as convenient after the expiration of such seven days as aforesaid, give public notice of a day for the hearing of such objections, and such objections may be heard at such time and place as the said person or persons may notify in such notice.

(b) The person or persons so appointed, after hearing such objections (if any), may cause the classification list to be amended in such manner as appears to him or them to be reasonable, and he or they shall thereupon sign the amended classification list, and his or their determination shall be final and conclusive.

(c) The said person or persons before whom any such objection is heard shall have full power to award the costs incident to such objection and the hearing thereof to any of the parties.

(viii) Every classification list, when signed as aforesaid, either where there is no objection or after the hearing of any objection, shall have effect on and after the first day of April next after the date of the signing thereof, and shall, for the purposes of any proceedings for the recovery of rates payable under any Act, be conclusive evidence of the liability of the person named therein; and every such list shall remain in force until another is made under the provisions recommended hereunder.

(ix) The classification list may be amended from time to time as shall be determined by Your Excellency : Provided that no such amendment shall take place until the expiration of five years after the final signing of the classification list under the provisions hereinbefore contained.

A similar procedure to that on classification is recommended for any amendment or reclassification, except that the local authority should also have the right to apply for same.

Such legislation as is necessary to give effect to any recommendation contained in this report is also recommended by your Commissioners. The required legislation should, in the opinion of your Commissioners, contain provisions—

- (1) That any differential rating effected by means of classification of borough lands shall not in any way affect the security of the lender ;
- (2) That, in reference to any classification, the maximum rate prescribed by the Municipal Corporations Act, 1920, shall not be deemed to be exceeded if the proceeds from the rates levied would not exceed the proceeds derivable from the maximum rate on a uniform scale levied on all the rateable property in the borough, notwithstanding that the rate actually levied on the lands comprised in any class may exceed the prescribed maximum rate.

The foregoing recommendations regarding classification of lands now or formerly in boroughs for differential rating, and as to the method of application thereof, are also extended to town districts not forming part of counties.

Reverting to the particular reference to your Commissioners—

- (1) *Whether it is practicable or desirable in any way to vary, by means of a system of classification of lands, or differential rating, or both, or by any other means, the incidence of rates and the relative amount of rates (whether general, special, or any other kind) that are or may hereafter be assessable in respect of any lands in the Borough of Feilding, or any lands that have been excluded therefrom.*

For the reasons above stated, your Commissioners consider that it is practicable and desirable, in order to effect a more equitable system of rating of farm lands now or formerly in the Borough of Feilding, to vary, by means of a system of classification of lands for differential rating, the incidence of such rates, and in such proportions, as may be found necessary, upon inquiry in manner hereinbefore recommended.

- (2) *Whether, in the event of your reporting under the last preceding paragraph hereof in favour of a system of classification of lands or differential rating, or both, or in favour of some other means of variation of rating in the Borough of Feilding, it is in your opinion practicable or desirable to apply the system or means so recommended by you to boroughs which include or formerly included lands used and occupied for farming purposes, and, if so, by what method.*

In the opinion of your Commissioners it is practicable and desirable to apply the system of classification of lands for differential rating to boroughs which include or formerly included lands used or occupied for farming purposes, by the method hereinbefore recommended.

- (3) *Such other matters affecting or incidental to the foregoing as may come under your notice in the course of your inquiries and as you may think it necessary and desirable to consider.*

Any other matters affecting or incidental to the foregoing which have come under the notice of your Commissioners in the course of their inquiries will, your Commissioners respectfully submit, be found in the foregoing. Your Commissioners have no further recommendations to make, other than that the incidence of rates and the levying of rates by local authorities should continue as at present. The importance of continuing the power conferred on local governing authorities, and

the necessity of their raising the funds required by them from their own inhabitants, cannot be overestimated, for these contribute the most direct means whereby the interest in local government of the inhabitants and the ratepayers is stimulated and maintained.

Your Commissioners further enclose (Schedule B) originals of letters, and documents therein referred to, from persons having an interest in the inquiry, as follows: (1) The Secretary, Waitara Harbour Board, Waitara; (2) G. S. Steadman, Esq., Taumarunui; (3) F. Purnell, Esq., Mayor of Marton; (4) H. P. Horne, Esq., Mayor of Woodville; (5) The Town Clerk, Waikouaiti; (6) H. E. Connop, Esq., Woodville; (7) W. T. Neill, Esq., Surveyor-General Wellington.

Your Commissioners have the honour to return herewith the Commission with which Your Excellency was pleased to favour us.

And this our report, which has been unanimously adopted, we have the honour respectfully to submit for the consideration of Your Excellency, in obedience to the Commission addressed to us.

Given under our hands and seals, this ninth day of August, one thousand nine hundred and twenty-eight.

[L.S.] R. M. WATSON, Chairman.

[L.S.] W. T. STRAND, } Members.
[L.S.] W. NASH, }

NOTE.—It has been deemed unnecessary to print the various papers referred to in the report. These papers may, if desired, be inspected at the Department of Internal Affairs, Government Buildings, Wellington.

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Your Commissioners further enclose (Schedule B) originals of letters, and documents therein referred to from persons having an interest in the inquiry as follows: (1) The Secretary, Waitara Harbour Board, Waitara; (2) J. S. Steadman Esq., Temuka; (3) R. F. Linton Esq., Mayor of Masterton; (4) H. P. Horne Esq., Mayor of Woodville; (5) The Town Clerk, Wainkaka; (6) H. E. Conroy Esq., Woodville; (7) W. T. Neill Esq., (Mayor of) Wellington.

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[Sd.] R. M. WILSON, Chairman.
[Sd.] W. T. STRAND, }
[Sd.] W. NEAL, } Members.

Noted. It has been deemed unnecessary to print this report, which is referred to in the report. To be printed, it is desired to be printed at the Department of Internal Affairs, Government Buildings, Wellington.

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