

# Newman Weekly

By Dr. Muriel Newman  
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The New Zealand Centre for Political Debate

## Rates & Bureaucracy

Three years ago the government established a joint project with Local Government New Zealand to investigate local authority rating levels and to determine whether there are affordability problems. Their report claimed that there was “little evidence of a systemic affordability problem”.

This conclusion flies in the face of last year’s public outrage over the widespread escalation in rates. It is a graphic illustration of how out of touch this bloated government has become to the real financial pressures facing the public.

The national outcry over the blowout in rates - with some residents experiencing increases of several hundred percent as a result of property revaluations – resulted in a Select Committee deciding to hold an inquiry into rates. While originally denying there was any need for such an investigation, the move by the Select Committee (that was not under their political control) forced the government into announcing an independent inquiry into rates.

The inquiry was widely regarded as a strategy to defuse public anger and regain control of the political agenda, rather than being a genuine attempt to address the excessive increase in rates. The terms of reference (see [www.nzcpd.com](http://www.nzcpd.com)) confirm that it looks unlikely to produce anything worthwhile because the fundamental problem with local; government - Labour's changes to the 2002 Local Government Act - appears to be excluded from the review process.

The three-man commission is charged with the task of examining the funding of local government in order to ascertain whether rates, as the major revenue raising mechanism of local government, are sustainable. They are also required to: “Develop an understanding of the drivers for local authority expenditure, including, growth, the age and state of infrastructure (eg public transport, roading, water and wastewater), requirements of ‘higher standards’ (eg water quality) and other infrastructural demands on both capital and operating expenditure needs”.

Unbelievably, a key driver of rate increases, costing hundreds of millions of dollars, has been missed out of that list altogether: the administrative and compliance costs associated with the 67 law changes

Labour has introduced since becoming the government. These include the new prostitution, gambling and dog microchipping laws, changes to the Building Act, the Resource Management Act and the Land Transport Management Act, and the smoke-free legislation, which has forced bars and restaurants to extend their operations onto footpaths.

Consultation, a central feature of the Local Government reforms of 2002, has also become a major contributor to cost increases. Councils are expected to consult with their ratepayers in order to develop Long Term Council Community Plans. These are meant to set clear goals for governance over the next ten years – as if anyone can predict with any certainty what the next ten years will bring! It has been estimated that this consultation process has already cost up to \$100 million across the sector just to get these plans to draft stage.

But cost is not the only problem. The consultation process has failed to attract a wide response from the rate-paying public, instead attracting disproportionate numbers of activists intent on pushing minority agendas. Exacerbated by a “we know best” approach by some councilors and council staff, the result has been the adoption of policies and projects driven by zealots rather than by popular mandate within communities.

This situation is especially noticeable in relation to conservation matters where, in some local authority areas, environmental “evangelists” have been able to impose radical ideas - in the name of sustainable development and environmental protection - which erode property rights and treat almost all human activity as if it were environmental degradation.

The public’s increasing reticence to involve themselves in traditional forms of consultation – formal meetings in draughty halls – is the reason why enlightened councils are now embracing direct democracy in the form of binding citizen’s referenda, as the future of local body consultation.

When the government announced the rates inquiry, it reassured the public that there would be plenty of opportunity for input. But with the deadline for reporting back to the government being the 31st of July and the

submission process not even underway, it is clear that public participation is going to be minimal.

However, that should not stop those of us who have suggestions to offer the commission from doing so. I would like to encourage anyone interested in having a say, who would like to be kept informed about the submission process, to click the Local Government Reform link on the sidebar panel and sign up. I will also be happy to post up on the website submissions from readers so that they are available in a public domain for others to see.

For my part I will be proposing a Ratepayers' Bill of Rights.

This bill of rights will firstly require local government to re-focus back onto the basics of providing infrastructure and core services as their prime responsibility. That means amending the Local Government Act 2002 to remove the power of general competence and the need to promote the four community well-beings. Further, I will be suggesting that all petrol taxes and road-user charges be invested back into roading with central government taking over the responsibility from councils for funding local roads.

The bill of rights will secondly introduce a rates cap in order to restrict the level of rate increases that a local authority can impose on residents in any one year. The rates cap should be based on the previous year's rates along with an inflation and population growth adjustment.

Thirdly, the bill of rights will require that community consultation be carried out through a binding ratepayers' referenda process, similar to the successful system adopted by the Wanganui District Council. This process uses the collective wisdom of the community to make important decisions, rather than zealots and "we know best" politicians.

(Interestingly, Trevor Mallard could have saved

himself and the country a great deal of angst last year if he relied on the public's collective wisdom by asking them which was the best venue for the Rugby World Cup stadium. The New Zealand Centre for Political Debate survey received almost 3,000 responses with the two most favoured options being Eden Park and North Harbour Stadium. The Waterfront option was a poor third. According to the Herald, while consents for Eden Park are being sought, the government is still involved in talks with North Harbour Stadium.)

Owen McShane, a well-known expert on local government matters, is the NZCPD guest commentator this week. Owen shares his view on the issues that will confront us in 2007. To read Owen's excellent analysis, see [www.nzcpd.com](http://www.nzcpd.com).

New Zealand's economic performance depends to a large degree on the competency of local government as it provides the infrastructure and services for private sector wealth creators. Surely it is beholden on local government to focus on this key role of facilitating progress and serving the public in an efficient and cost-effective manner, rather than allowing itself to be diverted by the plethora of bureaucratic mumbo jumbo that is being imposed on it from on high ... and to become really depressed about the future of local government, browse through the Local Government NZ Key Issues Report 2006 which may be viewed on [www.nzcpd.com](http://www.nzcpd.com).

**The poll this week** asks whether you would like to see local government refocused onto the basics of providing infrastructure and core services by amending the Local Government Act 2002 to remove the power of general competence and the need to promote the four community well-beings?

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