

# **Proposed New Fees for Land Information New Zealand Survey and Title Services**

**3 March 2021**

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This document uses a standardised New Zealand Government format for the presentation and description of terms to aid consistency and comparability across agencies.

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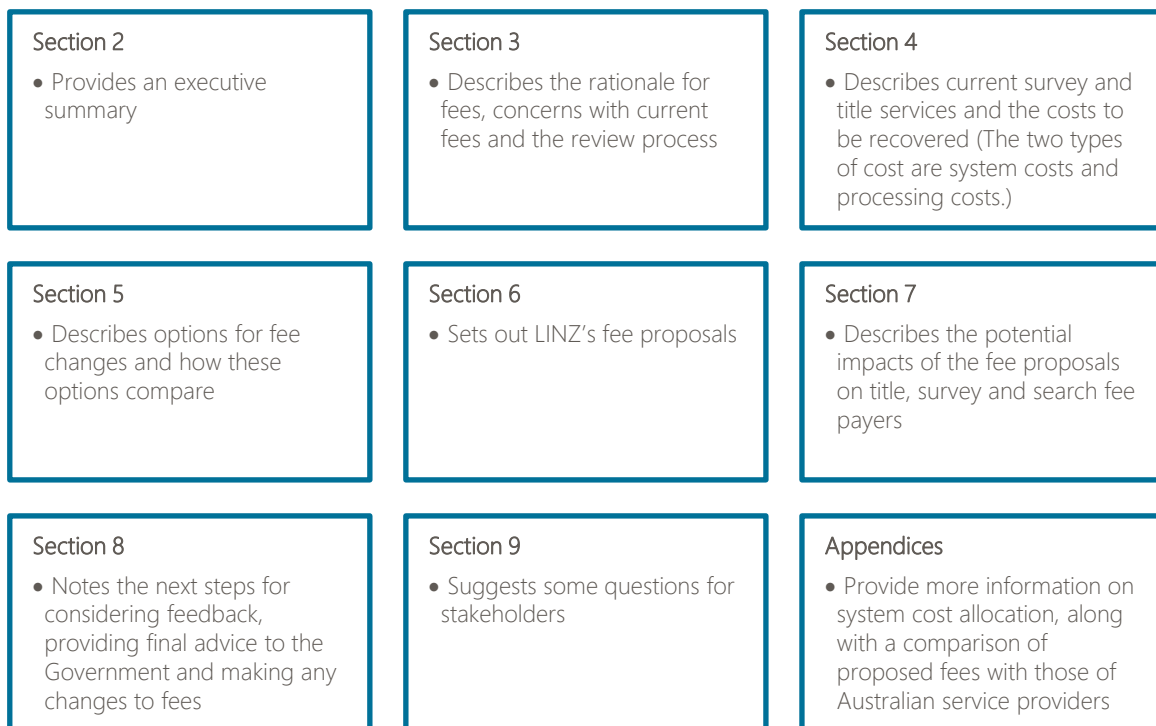
# 1 About this document

## Purpose and outline

This document seeks public feedback on proposed new survey and title fees.

Section 2 of the document summarises the proposed new fees, sections 3 to 7 give supporting analysis and evidence for the new fees, section 8 notes the next steps, and section 9 poses questions for feedback. The fee proposals include GST.

**Figure 1: Navigating this document**



## Submissions

If you wish to give feedback on the fee proposals, please send a submission by email ([feesreview@linz.govt.nz](mailto:feesreview@linz.govt.nz)) or post (Third-Party Funding Review Team, Land Information New Zealand, PO Box 5501, Wellington 6145). The submission deadline is 5.00pm on Friday 9 April 2021.

Submissions are official information and may be the subject of requests for information under the Official Information Act 1982 (OIA). The OIA specifies that information is to be made available to requesters unless there is a good reason for withholding it. Submitters may wish to indicate grounds for withholding specific information contained in their submissions, such as where they consider information is commercially sensitive or they wish personal information to be withheld. Land Information New Zealand (LINZ) will consider these requests in accordance with the provisions of the OIA. Should LINZ decide to withhold information on request, any such decision is subject to review by the Ombudsman.

## 2 Executive summary

Land Information New Zealand (LINZ) has legal responsibilities to maintain the land ownership and transfer register and cadastral survey records that the property market and land development activity rely on.

These responsibilities are funded by fees charged to the customers (mainly solicitors, conveyancers and surveyors, who pass the fee costs on to their clients).

Fees are the right way of funding survey and title services because the services primarily provide a private benefit to the person receiving the services (ultimately, the holders of titles and other interests).

LINZ has reviewed the fees it charges for providing survey and title services. These fees are set under regulations made by the Governor-General of New Zealand on the advice of the Minister for Land Information and the Minister's Cabinet colleagues.

The fees for survey and title services have stayed the same since 2011.

Fees need to increase to meet future costs relating to the rebuilding of Landonline and ongoing enhancement. In particular, the capital cost of the rebuild (estimated at \$128.2 million) must be funded over 10 years through fees.

LINZ has prepared a financial model to cost the activities of providing survey and title services. As part of this modelling process, LINZ has identified the specific costs of processing transactions and operating Landonline and the wider survey and title system.

Based on LINZ's estimates of the costs of each survey and title service, recovering the higher future costs will require title fees to increase by 13 percent on average and survey fees to increase by 57 percent on average. The proposed fee changes reflect both the increase in costs to be recovered and the re-apportionment of costs between services, as identified through LINZ's review and modelling of costs.

Table 1 summarises the estimated impact of the fee proposals on solicitors, conveyancers and surveyors (and, consequently, their clients). Section 6 of this document gives the full set of proposed fees. LINZ also proposes some extra changes to fees and fee descriptions, as set out in table 2.

LINZ is seeking your feedback on these proposals. Please make a submission so that your views are considered. The deadline for feedback is **5.00pm, Friday 9 April 2021**.

LINZ intends to have new survey and title fees in place by the end of September 2021. The process leading to this includes the current public consultation followed by consideration of the final fee proposals by Cabinet and the drafting of new fees regulations.

LINZ will review survey and title fees again when the current programme to rebuild Landonline is completed in 2023.

Table 1: Summary of estimated fee impact on solicitors, conveyancers and surveyors

Examples of typical individual fees and fees for common transactions	Current fees	Proposed fees
<b>Survey</b>		
Lodging survey data for a subdivision, for a project involving two primary parcels and three easements	\$764	\$1,230
Subdivision with 10 primary parcels and 15 easements	\$1,852	\$2,750
Subdivision with 100 primary parcels and 50 easements	\$10,492	\$13,850
Lodging a cadastral survey dataset (if the dataset includes additional survey information)	\$492	\$850
Lodging a cadastral dataset (without other survey information)	\$223	\$550
Fee for each parcel in the cadastral survey dataset	\$36, \$51 or \$82 depending on type of parcel	\$60, \$75 or \$100 depending on type of parcel
<b>Title</b>		
Fee for electronically lodging a title instrument (eg, a mortgage) and registering, noting or depositing that instrument	\$80	\$90
Creating a record of title	\$135	\$145
Depositing a survey plan in the register	\$101	\$150
<b>Searching the register and cadastre</b>		
Copy of a title, instrument or survey plan (electronic)	\$5	\$6
Copy of a title, instrument or survey plan (manual)	\$15	\$25

Note: See section 6 of this document for the full set of proposed fees.

Table 2: Proposed fee wording changes and additional fee changes

Fee	Proposed changes to fee wording	How the change addresses current fee problems or addresses recent service developments
All fees	Give extra information in the regulations about the two major cost components of the fees: system costs and processing costs	Improves transparency by indicating the main cost drivers for fee levels
Search	For all search fees, expand the definition of an electronic search product to include search products retrieved from any digital system connected to Landonline (eg, an application programming interface, API)	Addresses improvements in search applications as part of the Landonline rebuild, including the new public search function
Copy of instrument	Expand fee description to include a copy of any other title product available through the LINZ search service	Addresses improvements in search applications as part of the Landonline rebuild
Electronic copy of survey plan	Expand fee description to include an electronic copy of survey products (ie, not just survey plans)	Addresses improvements in search applications as part of the Landonline rebuild
Notice to a person for application or other matter	Ensure that this fee is described in a way that indicates there is no charge for notices that are sent automatically without LINZ staff or customer handling	<p>Reflects the fact that automatic notices are part of the broader package of Landonline services and build off the basic capability of the rebuilt Landonline to send automatic notices with no staff intervention</p> <p>The three types of automated notices are (1) notices synchronised with land transactions, eg, Notice of Change and Notice to Mortgagee, (2) notices sent in batches and (3) notices generated through planned future self-service application programme interfaces (APIs)</p>



Fee	Proposed changes to fee wording	How the change addresses current fee problems or addresses recent service developments
Title fees	Introduce a new fee to allow the Registrar-General of Land to charge an hourly rate for alterations to a title under section 21 of the Land Transfer Act 2017, including cancellations, at the same hourly rate as other audit fees	The cost of this service is not significant. However, because it is a specific service, a fee should be attached
Requisition fees (for both title instruments and survey lodgements)	Remove these fees	LINZ is focused on reducing requisition rates and considers that the best way to do this is through assistance and guidance to surveyors and system improvements rather than through a requisition fee. In addition, some instances of requisitions are due to uncertainties in requirements, and it may be unfair to charge a fee in these circumstances. The disadvantage of removing the fee is that requisition costs are spread over all fee payers, including fee payers who never require requisitions. However, on balance, LINZ considers that the advantages of removing this fee outweigh the disadvantages. LINZ will monitor customer behaviour in the absence of these fees and will re-instate the requisition fees in the next fee review if necessary
Cadastral survey dataset that places a boundary mark and does not create a parcel	Add sub-categories of simple and complex boundary reinstatements	Addresses current proposed cadastral survey rule changes to specify two types of boundary reinstatement (simple and complex) to reflect the level of validation effort required

## 3 Problem definition

This section describes the rationale for fees, concerns with current fees and the review process.

### Rationale for fees

There are three broad ways to fund public services:

- Fees – a charge to a customer in exchange for a service
- Levy – a charge to a community, sector or industry, which fully or partially funds activities for a specified public purpose
- Crown funding – the use of Crown revenue (from taxes and other sources of government income) to cover the cost of providing the services.

Our view is that third-party funding through fees is the right way to fund survey and title services, ahead of the other options of Crown funding (through general taxation) and levy funding. Survey and title services primarily provide a private benefit to the person receiving the services (ultimately, the holder of titles and other interests). Given the significant nature of this private benefit (security of title), it is more appropriate for the customer to pay for the costs of services than it is for these costs to be paid from Crown funding. This rationale is consistent with the guidance on charging fees offered by the Treasury (The Treasury 2017) and the Auditor-General (Office of the Auditor-General, 2008).

Figure 2 sets out the economic case for third-party funding through fees and how this relates to survey and title services.

Figure 2: Economic case for fees – excludability and rivalry of services

### Excludability

- It is more practical and efficient to charge a customer if other people can be excluded from getting the benefit of that service.
- The government can exclude non-paying customers from getting the benefit of surveys and titles. A title has a person's name on it – the interest holder. A survey plan is linked to one of these titles. The interest holder gets the main benefit of the title and survey. Other people can benefit from the property information made by title and survey services, but the main beneficiary is the interest holder or a potential interest holder.

### Rivalry

- Rivalry is the extent to which a service is 'used up' by the person receiving the service. If a service is not rival (ie, it can be re-used over and over), there is a strong case for providing it free of charge to maximise the benefit New Zealanders receive.
- Survey and title services are 'used up' in the sense that the benefits of those services are limited. It is not possible to share the title with more owners without reducing the monetary value of that title to each owner (eg, the proceeds to each owner of selling the property).
- In addition, the overall land registration system offers a wider social benefit in providing secure property rights.
- However, the main benefit of survey and title services goes to the interest holder, and this reinforces the case for fees and charging interest holders or potential interest holders.

## Concerns with current fees

### Context

Survey and title services are defined as all the products, services and functions that LINZ delivers to:

- maintain a stable and secure land transfer register under the Land Transfer Act 2017
- facilitate the registration of transactions relating to the sale and purchase of property and the registration of rights, restrictions and responsibilities
- provide a facility to receive cadastral survey datasets (Landonline) and ensure there is access to those datasets and other cadastral survey data
- ensure cadastral survey datasets comply with the standards set by the Surveyor-General
- integrate new cadastral surveys into the cadastre.

There are several concerns with current survey and title fees that the review addresses:

- Fees are insufficient to recover increased costs.
- Some fees do not reflect the costs of providing the service.
- There is little transparency around the main cost drivers.

## **Fees are insufficient to recover increased costs**

The main driver for a fees review is that the fees for survey and title services have stayed the same since 2011 and no longer recover the increasing costs of survey and title services.

The major source of increasing cost is the rebuild and ongoing enhancement of Landonline. Landonline is the technology platform that enables surveyors, solicitors, conveyancers and other professionals to securely search, lodge and update title dealings and cadastral survey datasets. Landonline is also the platform that allows LINZ to efficiently process instruments and cadastral survey datasets that change existing land information.

The business case for rebuilding Landonline considered that the rebuild was essential to the delivery of core survey and title services under the Land Transfer Act 2017 and Cadastral Survey Act 2002 (see box 1 below). Landonline was built on a platform that has “matured” and needs to be revitalised and made stable for the long term. As the electronic system used to store the register of all New Zealand land subject to the Land Transfer Act 2017, the Landonline system needs to be very secure. Landonline is increasingly difficult to support and enhance, which reduces LINZ’s ability to respond to changing customer needs.

LINZ is also moving away from the traditional software model of “build – use and maintain – replace” to one of ongoing enhancements, as well as maintenance, so the system evolves and gets better.

LINZ is rebuilding Landonline over five years at an estimated capital cost of \$128.2 million. The capital cost of Landonline is spread over time through depreciation (discussed in section 4 of this document). Survey and title fees recover these depreciation costs.

## Box 1: Landonline rebuild

### Why does LINZ need to rebuild Landonline?

It is essential that New Zealanders can rely on Landonline to give accurate information about land. Confidence in property rights underpins living standards and is critical to the financial and banking systems that our economy relies on. LINZ needs to make sure that land information is more accessible and easier for people to transact with.

Landonline is now 20 years old – it was developed in the late 1990s and introduced in 2000. It is increasingly hard to support and enhance, which reduces LINZ's ability to respond to changing customer needs. For example:

- its core software, which was widely used in the 1990s, is now nearing 'end of life' is and not recommended for further development
- customers need to do complicated software installs to use Landonline
- Landonline is not flexible or mobile-friendly. LINZ's customers are waiting for new functionality to be added to make their jobs easier.

### How will LINZ's customers benefit?

- Increased system availability, reliability and sustainability
- Improved integration with third-party software
- Greater public access to property information through web-based searchability
- More New Zealand business opportunities through greater data availability
- Linked property information across government
- Increased level of data validation and automation
- Ability to capture and produce plans in 3D
- Provision of a more efficient and user-friendly application
- Increased transparency of service – customers can see the progress of their request more clearly
- Creation of a state land register to support better investment decisions.

Source: LINZ 2018.

## Some fees do not reflect the costs of providing the service

Fees for each service or product should reflect the underlying cost of providing that service or product. The cost modelling for the fees review has identified that for some services and products, the current fees no longer reflect the underlying costs. This fee/cost relationship needs to be re-established.

## There is little transparency around the main cost drivers

The current fee arrangements do not give enough transparency about the cost drivers for survey and title services.

The major cost of a modern survey and title system is the cost of the technology platform for registering titles and lodging surveys. A fee payer may not know that most of their fee goes towards the cost of developing and maintaining this platform (and other aspects of

the wider survey and title system, such as regulation by the Registrar-General of Land and Surveyor-General). LINZ would like to make this cost more transparent. Customers benefit from transparency of system costs because transparency increases pressure on LINZ to make sure the system provides value-for-money services to customers.

## Review of third-party funding arrangements

Given the issues with both the current structure and level of the fees LINZ charges for survey and title services, LINZ has reviewed these third-party funding arrangements. The review has been conducted in line with cost recovery guidance by the Treasury and the Auditor-General.

The following regulations would need to be changed to reflect the proposed fee changes:

- Land Transfer Regulations 2018
- Cadastral Survey (Fees) Regulations 2003
- Land Information New Zealand (Fees and Charges) Regulations 2003.

Generally, fees can only be set to pay for activities performed by LINZ, the Registrar-General of Land or the Surveyor-General under the Land Transfer Act 2017 and Cadastral Survey Act 2002 (see s229 of the Land Transfer Act and s48 of the Cadastral Survey Act).

Options for new fees have been explored and assessed using the following five principles as criteria:

1. Fair – Users of services should pay unless there is a good reason for them not to. Costs to be recovered should be allocated according to those who receive the service.
2. Effective – The funding approach or method should support the objectives and/or reasons for the service.
3. Efficient – The funding approach should help ensure services provide value for money. Value for money can be defined as administrative efficiency (that is, more of the service cannot be provided without sacrificing provision of another service) and economic (allocative) efficiency (that is, the service provides a marginal benefit to the user equal to the marginal cost of operating that service).
4. Sustainable – The funding approach taken must support the long-term financial sustainability of services. Reliance on Crown funding should be minimised.
5. Transparent/predictable – There must be a clear line of sight between the service provided and the costs to be recovered. It must be clear to the user what service the fees are being collected for, from whom and why.

## 4 Costs to be recovered

This section describes current survey and title services and reviews the costs to be recovered. The two types of cost are system costs and processing costs.

### Current services

LINZ's survey and title activities can be divided into two broad categories (see figure 3).

The first category is the maintenance of the overall survey and title system. One maintenance task is to develop, enhance and maintain Landonline. Another task is to regulate and audit the system, a job performed mainly by the offices of the Registrar-General of Land and the Surveyor-General.

The second category is LINZ's customer-facing services. The first service is providing secure and reliable access to Landonline. Next come services to customers to access Landonline, enter data and change survey and title information in Landonline.

Finally, LINZ provides survey and title information to help people make survey, title and other decisions. These services are the touch points between LINZ and customers and are when fees are charged.

Figure 3: Survey and title – system maintenance and services

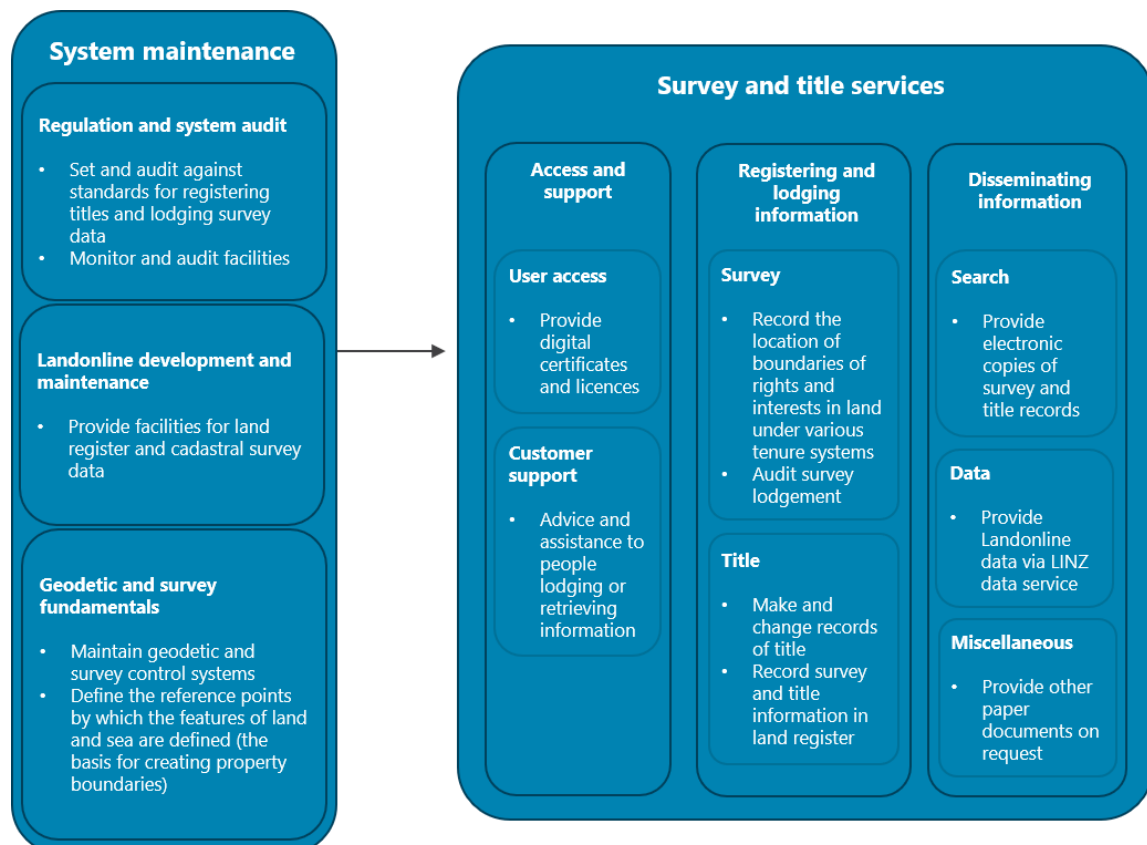


Figure 3 is only a partial view of survey and title activities. A lot of the work is done outside LINZ to provide interest holders with accurate and secure descriptions of their ownership and interests. Solicitors and conveyancers work directly with interest holders or potential interest holders to acquire and deal with interests, and surveyors serve their clients by describing the boundaries of land parcels in the most exacting terms.

Another important additional feature of the survey and title system is the diversity of customers and the role of their intermediaries.

- Customers – Different customers value survey and title services differently. For example, large commercial developers may value timely title services more than low fees. However, homeowners may value low fees more than timeliness.
- Intermediaries – LINZ's direct customers, and hence fee payers, are generally solicitors, conveyancers and surveyors. These customers are intermediaries for private individuals or businesses. It is common practice for solicitors, conveyancers and surveyors to bill their clients for the full fee costs of LINZ's survey and title services. The ultimate fee payer is therefore typically the client of the solicitor, conveyancer or surveyor.

## Value of services

The value of survey and title services is that they facilitate the creation and exchange of title (or any other change to someone's ownership or interests in land, including boundary changes) as securely and efficiently as possible.

- Security – Secure title allows a person or business to feel secure in the ownership of land or legal interests in land. When someone has security of ownership, they know what they own and who can use it for what purposes. Keeping official records of the boundaries of a piece of land adds to the sense of security of ownership. It reduces the risk of boundary disputes between neighbours. Secure title can also be used as financial security for borrowing from a bank. When a bank is less confident that a person is the rightful owner of a property, it is less likely to lend to that person (or it will charge more for the higher risk of lending its money).
- Efficiency – The survey and title system reduces the cost of buying, selling or changing rights in land, compared with a situation with no registration and recording of survey and title information. Within the system, verifying property rights is generally a matter of an online search. Changing owners or rights is also usually a relatively straightforward online operation for a solicitor or conveyancer. These activities are harder if the survey and title records are not held electronically and made easily available. Without those services, people would need to spend more time carrying out their due diligence on a property purchase.



The business case for rebuilding Landonline gives two perspectives of the value of the survey and title system:

- **The value of survey and title services in defining rights and boundaries for over \$1 trillion worth of land**

The Landonline business case says that 'New Zealanders have approximately \$1,079 billion in residential housing stock alone, and confidence in their ability to transact this wealth underpins the New Zealand economy' (LINZ 2018, p. 40). This figure has since increased to over \$1,200 billion (Reserve Bank M10 series statistics, Reserve Bank nd).

- **The value of registered titles as a form of insurance against loss of title**

In this case, the Landonline business case is using an estimate by BERL (an economic research organisation) of the cost of title insurance if a landowner does not have a title guaranteed by the government. Title insurance pays the insurance holder the value of the property if someone else successfully claims that they own the property instead. BERL estimated that title insurance would cost New Zealanders \$246 million each year (LINZ 2018, p. 40).

Tables 3 and 4 give another perspective on the value and quality of survey and title services. The first row of Table 3 shows that in recent years, New Zealand has been ranked either first or second on the World Bank's "Registering Property" index (part of the annual Doing Business Report). This ranking reflects the strength of New Zealand's property rights system in areas including procedures, time and cost, infrastructure reliability, and information transparency. Table 4 shows New Zealand's performance in several of the World Bank measures, compared to the New South Wales property rights system and the average score of all high-income countries in the OECD.

**Table 3: Trends in survey and title service performance**

Measure	Baseline	2019/20 performance	Desired direction of travel
World Bank rating for ease of registering property in New Zealand (Note 1)	94.89/100 Rank: 1 <sup>st</sup>	94.60/100 Rank: 2 <sup>nd</sup>	→
Mean user score of the technology platform's ability to anticipate growth and changing needs (Note 2)	3.63/5	3.88/5	↑

Notes:

(1) The World Bank Doing Business 2020 – Ease of registering property indicator (The World Bank nd-b).

(2) External Landonline users were asked to give ratings of their satisfaction with various attributes of the technology platform (for example, availability, process efficiency, intuitiveness, responsiveness, accessibility, quality of support). The combined mean of all responses is the reported score.

Table 4: Comparison of land registry performance indicators – New Zealand, New South Wales and OECD high-income average

Indicator	Definition	New Zealand	New South Wales, Australia	OECD country high-income average
Procedures (number)	The total number of procedures legally required to register property. A procedure is defined as any interaction of the buyer or the seller and/or their agents (if an agent is legally or in practice required) with external parties.	2	4	4.7
Time (days)	The total number of days required to register a property. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure.	3.5	4.5	23.6
Quality of the land administration index (0–30, with higher values indicating better quality of the land administration system)	The quality of the land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights.	26.5	19.5	23.2

Source: The World Bank nd-a.

Note: Indicator methodology available at <https://www.doingbusiness.org/en/methodology/registering-property>

## Total costs to be recovered

LINZ spent \$71 million providing survey and title services in the year ending 30 June 2020. LINZ projects costs to increase to an average of \$88 million per year for the five years from 1 July 2021.

The amount of costs LINZ is aiming to recover is reduced by \$5 million per year to return the current Memorandum Account surplus over five years. Therefore, LINZ aims to recover an average of \$83 million per year over the next five years.

Appendix 1 compares LINZ survey and title costs and fees with the costs and fees of equivalent providers in Australian states.

## Two types of cost

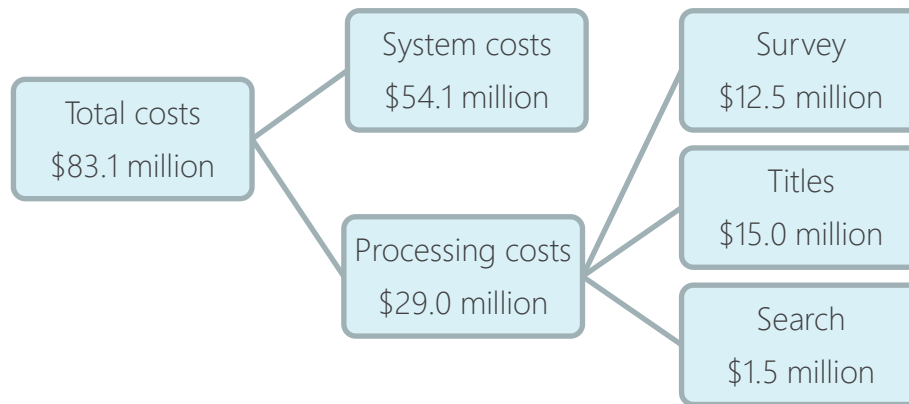
There are two types of costs to providing survey and title services: a system cost and the costs to process instruments, lodgements, cadastral survey datasets and manual searches.

System costs are largely fixed, that is, the cost of running the system does not change if transaction volumes rise or fall. For example, the costs associated with developing and maintaining software (the Landonline system), overseeing and auditing the overall set-up and providing the spatial framework for the information in Landonline (that is, the geodetic positioning system and associated information, such as addresses) are not influenced by the number of transactions in any given period.

Processing costs, however, are influenced by transaction volumes. For example, the cost of staff time to process survey and title transactions is over and above the system costs. Processing costs do not apply to all survey and title activities. About 87 percent of title transactions and 98 percent of search transactions are automated. For other transactions, staff must make sure the data entered in Landonline is sufficiently accurate. This checking involves some manual processing and quality assurance by expert individuals.

Figure 4 shows the split between system and processing costs.

**Figure 4: Breakdown of costs to be recovered (average annual costs over the five years from 1 July 2021)**



### System costs

There are two steps to costing survey and title system activities. The first is to estimate the overall annual cost of running the system and identify the different drivers of these costs. The second is to allocate these system costs across the different services.

### Estimating system costs

The first system cost to consider is the cost of Landonline as an asset.

Asset costs will be \$14 million per year over the five years from 1 July 2021. Asset costs are made up of depreciation and capital cost relating to Landonline as a major technology asset. The Office of the Auditor-General's guidelines on cost recovery explain why fees for government services should recover depreciation and capital costs:

It is generally not appropriate to include capital expenditure (the purchase of fixed assets, such as land, buildings, other physical construction, and equipment) in the calculation of costs for setting fees. Recovering the costs in the year they were incurred can treat current and future consumers inequitably – one group will be paying for something (such as an enhanced IT system) that they may not get the benefit of, which will not usually be appropriate. Also, these capital expenditure costs are recovered through depreciation.

Accordingly, the cost of a good or service should include depreciation charges on the relevant fixed assets. Depreciation is calculated based on either the purchase cost of the asset or the asset's fair value, depending on the accounting policies of the entity.

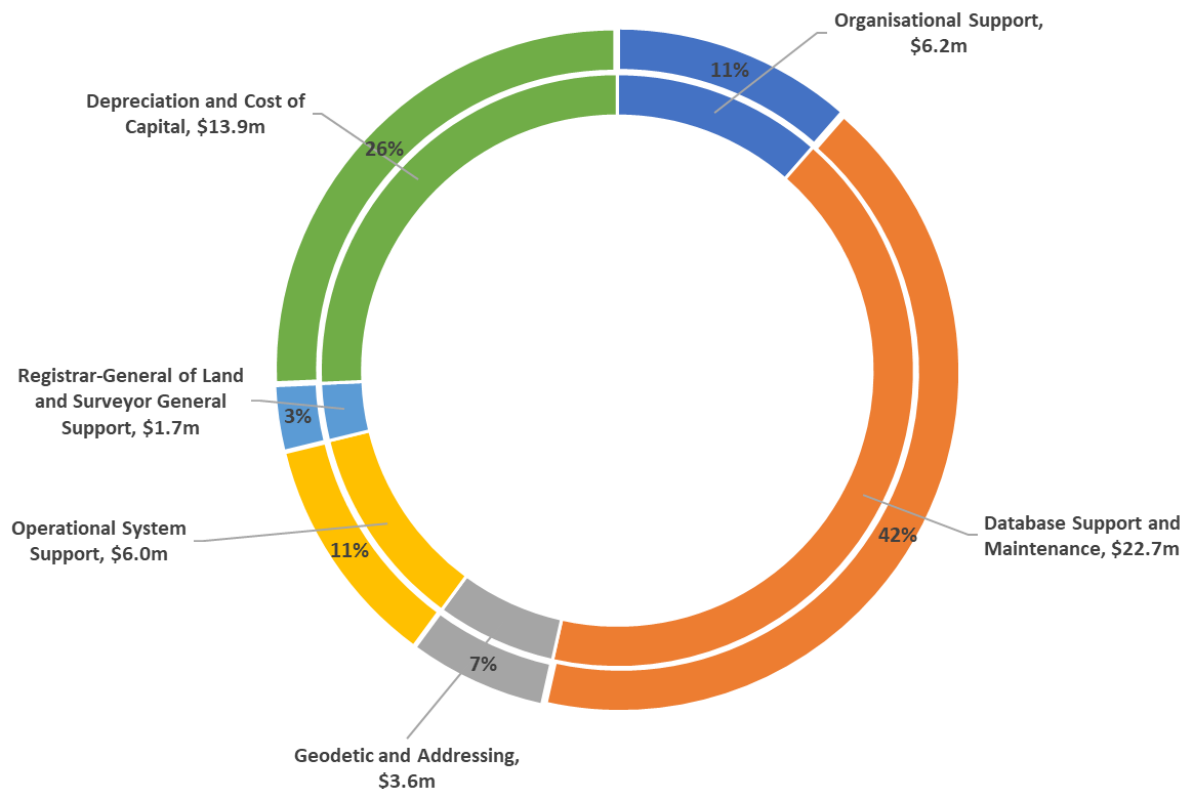
Other costs include the capital charge that the Treasury levies on certain types of entities, such as departments, based on the level of taxpayers' funds held by these entities. Where levied, the capital charge represents a cost to the entity and should be included in the cost calculation (Office of the Auditor-General 2008, part 3, point 3.34).

In addition to the asset-related cost, the other significant system costs are the support and maintenance of the database and operating system. Database and support costs include the software maintenance costs, licensing, external IT support costs and costs of the Survey and Title Enhancement Programme to rebuild Landonline. Operational systems support costs are for operating the LINZ Property Rights business unit. These costs are not directly related to specific activities. Organisational support costs are for wider business support, such as finance, human resources, facilities and communications.

The costs of regulatory activities are also system costs. The Registrar-General of Land and the Surveyor-General are responsible for these regulatory activities, which aim to make sure that activities are running according to law and are effective and error free.

Figure 5 describes the system costs.

Figure 5: Annual system costs to be recovered (\$m)



### Allocating system costs

The survey and title system is highly integrated with no clear separation of use or benefit between title, survey and search activities. There are system costs relating to the existing Landonline platform and the Survey and Title Enhancement Programme.

To allocate the system costs, LINZ has applied a base cost for all transactions that recognises the minimal cost of accessing and using the Landonline system. The base cost is LINZ's estimate of the 'lightest touch' by a customer on the system. This is equivalent to

the cost of an electronic search. Based on forecast volumes, the base cost will contribute \$21.8 million to the total \$54.1 million system costs. The remaining portion of system costs is allocated to survey and title on a transaction basis. Box 2 provides more details on the method for allocating these system costs.

**Box 2: System cost allocation**

LINZ's general approach to system cost allocation is to allocate costs based on who is using and benefiting from the system.

LINZ considered several ways to allocate system costs, based on different measures of system use. These allocation methods included allocations based on LINZ processing costs for different survey and title services, user time in Landonline and the number of transactions per service.

The two allocation methods for consideration are:

- Method 1 – Per transaction: each chargeable transaction pays the same system cost.
- Method 2 – Base cost: A base cost is allocated to each transaction, with the remaining system costs allocated based on survey and title transactions, allowing for the proportionate lesser time/effort for survey parcels.

LINZ intends to use method 2, which allocates the average recoverable system cost of \$54.1 million per year as follows:

- Survey fees pay \$2.2 million
- Title fees pay \$34.2 million
- Search fees pay \$17.8 million.

The proportionately lesser amount of service costs allocated to survey services, compared with title and search services, reflects the low number of survey transactions per year compared with title and search transactions.

Appendix 2 analyses the different allocation methods for system costs further and explains in more detail why method 2 is the preferred option.

## Processing costs

Processing costs are linked to the activities that deliver the service and so can be more precisely allocated than system costs.

To determine the costs to process survey and title transactions, the average annual cost of each service has been calculated and divided by the expected volume of products each service would give.

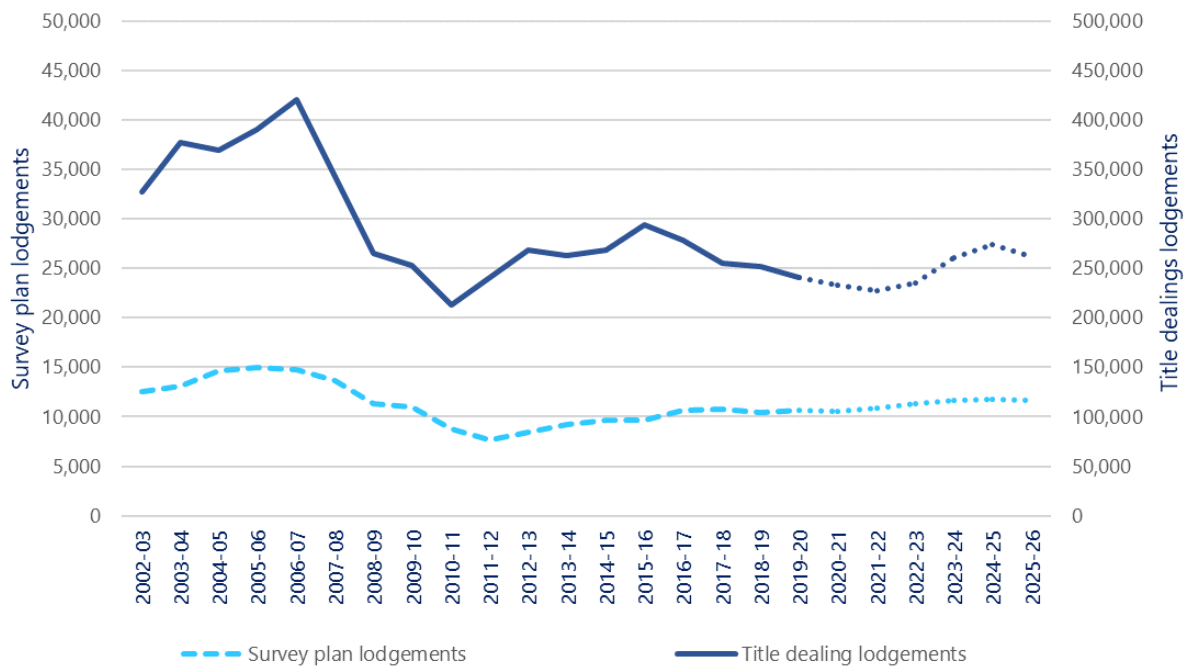
## Volume of transactions

Dividing total cost by volume or products gives a unit cost for each service, that is, how much it costs for LINZ to provide one new title service or one survey lodgement approval.

The expected volumes of survey and title products are challenging to estimate. Volumes tend to rise and fall with the general level of economic activity and property market

activity. Figure 6 shows how activity fell during and after the global financial crisis (GFC) of 2007–2009 and how it has stabilised since then, and forecast volumes up to 2026.

Figure 6: Survey plan lodgements and title dealing lodgements, 2002–2026



To estimate future rises and falls in economic and property market activity, LINZ contracted the New Zealand Institute of Economic Research (NZIER) to provide forecasts of survey and title volumes, based on economic activity and other measures. There is a level of uncertainty with these forecasts given the difficulty of estimating the volume of property transactions. An added uncertainty is the impact of COVID-19 and of the Landonline rebuild on future volumes. The rebuild will improve many Landonline features, making them easier to use (for example, the public search function). LINZ will assess in the next fee review whether the simplified search service leads to increased demand for these services and higher volumes.

Table 5: Projected average annual costs allocated to survey, title and search activities (in the five years from 1 July 2021, \$m)

Cost area		Cost (\$m)
<b>System costs</b>	Survey	2.2
	Title	34.2
	Search	17.8
		<b>54.1</b>
<b>Processing costs</b>	Survey	12.5
	Title	15.0
	Search	1.5
		<b>29.0</b>
<b>Total costs</b>	Survey (8.6)	14.7
	(2019/20 revenue in brackets) Title (43.1)	49.2
	Search (14.5)	19.3
		<b>83.1</b>

## Insights from the costing work

LINZ has drawn four key insights from its work to model survey and title activity costs:

1. LINZ has maintained stable fees since 2011.
2. System costs are the largest cost area, at \$54.1 million per year, compared with processing costs of \$29.0 million per year.
3. Costs are projected to increase over the next five years, resulting in a funding shortfall if fees remain the same. Adjusting fee levels to reflect increasing costs will result in increases for all users.
4. Some current fees do not reflect the underlying costs of services provided, so the proposed increases are not the same for all activities. The most significant change will be for surveyors.



## 5 Options

This section describes and compares options for fee changes.

### Options for fee changes

The review developed two main options for changing fees.

- Option 1 – Allocate an equal percentage increase to all fees
- Option 2 – Change all fees to reflect costs.

This section also considers a variation of option 2, with a new type of 'system' fee to separately identify the system costs.

In addition, LINZ proposes changes to fee wording that improve efficiency and effectiveness and can be applied under any of the options.

No changes are proposed in this document to the fees for Landonline licenses and digital certificates, as these services are under review as part of the Landonline rebuild. Any decisions relating to these products will be announced separately as part of the Landonline rebuild communications.

#### **Option 1 – Allocate an equal percentage increase to all fees**

Option 1 is to increase all fees in equal proportion. Under this approach the total increase in costs of the survey and title system and services would be distributed evenly across each fee category. This means each fee would increase by the same percentage. Table 6 compares the main current fees with the increased fees under option 1.

Table 6: Option 1 – Allocate an equal percentage increase to all fees (for main services)

Potential fees based on cost modelling		Current fee level	Fee under option 1	% change
Survey lodgement	Cadastral survey dataset with survey information (including for a unit title development) that creates 1 or more parcels	\$492	\$618	26%
	Cadastral survey dataset without survey information (other than for a unit title development) that creates 1 or more parcels	\$223	\$280	26%
	Each parcel that is— (a) a primary parcel (other than a balance or residue parcel); or (b) a parcel for a lease that is not defined by permanent structure boundaries	\$82	\$103	26%
	Each parcel that is a non-primary parcel (other than a parcel for a lease)	\$36 <sup>1</sup>	\$45	26%
		\$51 <sup>2</sup>	\$64	26%
Title lodgement	For receiving an instrument lodged for registration, notation, or deposit, and for registering, noting, or depositing a lodged instrument - electronic	\$80	\$100	26%
	Creating record of title	\$135	\$170	26%
	Depositing a plan	\$101	\$127	26%
Search	Electronic	\$5	\$6.30	26%
	Manual	\$15	\$19	26%

Notes: (1) If not defined by permanent structure boundaries; (2) If defined by permanent structure boundaries

The main advantage of option 1 is that it is the simplest means of distributing the increased costs. The main disadvantage is that, under this option, some fees would not reflect the underlying costs of providing the service. Therefore, some fee payers would pay higher fees than the cost of the service. These fee payers would be cross-subsidising the costs of services provided to others, and therefore this option unfairly apportions costs.

## **Option 2 – Change all fees to reflect costs**

Option 2 would change each fee to reflect the actual unit cost of providing a service. For example, if the total annual cost of providing a service were \$100,000 and the service were provided 1,000 times in that year, the unit cost would be \$100, and the fee would be \$100, regardless of the current fee. Table 7 compares the main current fees with the increased fees under option 2.

Table 7: Option 2 – Change all fees to reflect costs (for common services)

Potential fees based on cost modelling		Current fee level	Fee under option 2	% change
Survey lodgement	Cadastral survey dataset with survey information (including for a unit title development) that creates 1 or more parcels	\$492	\$850	73%
	Cadastral survey dataset without survey information (other than for a unit title development) that creates 1 or more parcels	\$223	\$550	147%
	Each parcel that is— (a) a primary parcel (other than a balance or residue parcel); or (b) a parcel for a lease that is not defined by permanent structure boundaries	\$82	\$100	22%
	Each parcel that is a non-primary parcel (other than a parcel for a lease)	\$36 <sup>1</sup>	\$60	67%,
		\$51 <sup>2</sup>	\$75	47%
Title lodgement	For receiving an instrument lodged for registration, notation, or deposit, and for registering, noting, or depositing a lodged instrument - electronic	\$80	\$90	13%
	Creating record of title	\$135	\$145	7%
	Depositing a plan	\$101	\$150	49%
Search	Electronic	\$5	\$6	20%
	Manual	\$15	\$25	67%

Notes: (1) If not defined by permanent structure boundaries; (2) If defined by permanent structure boundaries

The main advantage of this option is that fee payers would pay fees for services that closely reflect the costs of providing those services. This is the fairest way of charging fees. A person accessing a service would pay no more than necessary. The disadvantage is that the percentage fee increases would be different across the various fees and therefore impact on customers differently.

### Option 2A: System fee

This sub-section considers a variation on option 2, in the form of an extra 'system fee' that shows the system cost separately. This involves splitting each current fee into two parts:

- a system fee contributing to running Landonline and other parts of the overall system
- a processing fee covering staff costs in handling a particular transaction.

The advantage of a separate system fee is the greater transparency of the cost of developing and maintaining Landonline and other aspects of the wider system.

The disadvantage is the added complexity to LINZ and its customers of administering two-part fees for all services. There are other ways of increasing system cost transparency that do not involve changing the fee structure. These ways include setting out system costs in the fee regulations or reporting on system costs through reports such as the LINZ annual report.

### Other fee level considerations

In addition to the option of introducing a separate systems fee, LINZ also considered introducing two tiers of fees – standard and complex – for some activities where the time required to process transactions can vary considerably. However, because it is not always obvious which transactions may take longer before starting to process them, the fees involved would not be transparent to customers before they requested LINZ services.

LINZ also considered combining fees for similar services to make the fee regime simpler. However, most fees are for distinct and separate services. The cost of the work involved for both LINZ and customers to adjust systems for combined fees would outweigh the benefits.

## Comparison of options

Table 8 assesses the fee-change options and identifies Option 2 as the preferred option.

Table 8: Comparison of options (assessment against status quo)

Criteria	Status quo	Option 1 – Allocate an equal percentage increase to all fees	Option 2 – Change fees to reflect costs	Option 2A – Option 2 plus a systems fee
Fair	0	- - Some fee payers pay more than the average unit cost of the service they receive, ie, effectively, they are helping meet the costs of some other types of service	+ A person accessing a service pays the average unit cost of that service	+ As for option 2, a person accessing the service pays the average unit cost of that service
Efficient	0	- An increase across all fees continues the misalignment of fees and costs. However, this is the most straightforward option to implement for LINZ and customers	+ Fees are matched to unit costs, which is an efficient way of matching demand to supply	- This adds complexity for LINZ and its customers in administering a two-part fee for all services. LINZ has had service user feedback that a two-part fee would be more time-consuming for legal and survey billing and accounting with little added benefit
Effective	0	0 Increasing the fees by a standard percentage probably has no noticeable effect, good or bad, on service effectiveness	+ Alignment to unit costs puts an onus on LINZ to provide all services as effectively as possible, to meet user expectations	+ As for option 2, there is an onus on LINZ to provide effective services

Criteria	Status quo	Option 1 – Allocate an equal percentage increase to all fees	Option 2 – Change fees to reflect costs	Option 2A – Option 2 plus a systems fee
Sustainable	0	<p>+</p> <p>Total revenue meets predicted future costs</p> <p>(Potentially a risk in having half the revenue dependent on title volumes)</p>	<p>++</p> <p>Total revenue meets predicted future costs</p>	<p>-</p> <p>This adds in the cost of administering a two-part fee for all services. Administration costs include the time and cost to change IT systems, and the ongoing cost of invoicing and accounting for two parts to each fee</p>
Transparent	0	<p>-</p> <p>Fees do not reflect unit costs</p>	<p>+</p> <p>Fees transparently reflect unit costs</p>	<p>+</p> <p>A system fee increases system cost transparency, but not materially more so than option 2</p>
Score (# +)	0	1	6	3
Summary	<p>The preferred option is option 2, without the system fee proposed in option 2A. Option 2 reflects the underlying costs and recovers them with the appropriate level of fees. The transparency of the system costs can be increased through additional information in the fee regulations or LINZ reporting (for example, annual reports) without the extra administration and compliance costs of setting up a separate system fee (and therefore a two-part fee for all services).</p>			

**Key:**

- + + much better than doing nothing / the status quo
- + better than doing nothing / the status quo
- 0** about the same as doing nothing / the status quo
- worse than doing nothing / the status quo
- - much worse than doing nothing / the status quo

## Changes to fee wording that can be applied under any of the options

In addition to fee-level changes, LINZ also proposes changes to fee wording. These changes improve the efficiency and effectiveness of survey and title services by addressing current fee issues or responding to recent service developments.

Table 2 in section 2 of this document sets out these proposed changes to fee wording. LINZ considers that these wording changes are relatively straightforward and can be adopted under any of the options for changing fee levels.



## 6 Fee proposals

This section sets out LINZ's fee proposals.

Table 9 describes the preferred option for changing survey and title fees (Option 2 in the previous section), compared with the current fees. LINZ also proposes to make the fee wording changes proposed in table 2 in section 2 of this document.

Table 9: Proposed survey and title fee levels

Fee description	Current fee (\$)	Proposed fee (\$)
<b>Search</b>		
For providing a copy of— a grant, certificate of title or computer register; or a lease or licence registered or recorded in the register in accordance with the Land Act 1948; or a record of title showing only current information (other than the relevant plan or diagram); or a record of title showing only current information (including the relevant plan or diagram); or a record of title showing current and historical information (other than the relevant plan or diagram); or a record of title for the purposes of section 60 of the Land Transfer Act 2017; or any other instrument (whether as detailed structured text or image, or both).	5 (electronic) 15 (other)	6 (electronic) 25 (other)
For providing a copy of structured text of an instrument	0 (electronic) 15 (other)	0 (electronic) 25 (other)
For certifying a copy of a record of title or an instrument	N/A (electronic) 11 (other)	N/A (electronic) 25 (other)
For providing a copy of a survey plan via an approved electronic workspace facility	5	6
For manually providing a copy of a survey plan	15	25
For manually providing a copy of survey records— (a) for the first page	15	25
For manually providing a copy of survey records— (b) for each subsequent page	1	1
<b>Registration</b>		
For receiving an instrument lodged for registration, notation or deposit – electronic	72	90

Fee description	Current fee (\$)	Proposed fee (\$)
For registering, noting or depositing a lodged instrument – electronic	8	Included in fee above
For receiving an instrument lodged for registration, notation or deposit – other	72	180
For registering, noting or depositing a lodged instrument – other	104	Included in fee above
For depositing a plan	101	150
For creating a record of title	135	145
For approving a format or memorandum	80	80
For giving public notice if required for an application	231	450
For each notice sent to a person if required for an application or other matter, other than to the applicant or person initiating the matter (including for sending a notice of the lodging of a caveat under the Land Transfer Act 2017 or a notice of the lodging of a claim under section 42 of the Property (Relationships) Act 1976)	5	6
For receiving a corrected or replacement version of an instrument that was rejected or retained for correction (requisitioned)	13 (electronic) 88 (other)	0 (electronic) 0 (other)
<b>Audit</b>		
Examining evidence provided to the Registrar-General of Land under section 30(3)(a) of the Land Transfer Act 2017 if—		
(a) the evidence satisfies the requirement in section 30(1) of the Land Transfer Act; and	0	0
(b) the Registrar-General of Land does not revoke the person's authority under section 29(1) of the Land Transfer Act 2017 or require a statutory declaration under section 30(3)(b) of the Land Transfer Act		
Examining evidence provided to the Registrar-General of Land under section 30(3)(a) of the Land Transfer Act 2017 if—		
(a) the evidence does not satisfy the requirement in section 30(1) of the Land Transfer Act; and	130	161
(b) the Registrar-General of Land does not revoke the person's authority under section 29(1) of the Land Transfer Act or require a statutory declaration under section 30(3)(b) of the Land Transfer Act <i>(fee per hour plus reasonable expenses)</i>		
Requiring a statutory declaration under section 30(3)(b) of the Land Transfer Act <i>(fee per hour)</i>	130	161

Fee description	Current fee (\$)	Proposed fee (\$)
Any other action relating to the audit of a certification for the purpose of exercising, or deciding whether to exercise, a power under section 29 of the Land Transfer Act ( <i>fee per hour plus reasonable expenses</i> )	130	161
<b>Survey</b>		
Cadastral survey dataset with survey information (including for a unit title development) that creates 1 or more parcels	492	850
Cadastral survey dataset without survey information (other than for a unit title development) that creates 1 or more parcels	223	550
Cadastral survey dataset without survey information for a unit title development that creates 1 or more parcels	197	310
Cadastral survey dataset for a unit title development with survey information	492	850
Cadastral survey dataset for a cross lease	156	230
Cadastral survey dataset that places a boundary mark and does not create a parcel	72	105
Cadastral survey dataset of survey information that does not place a boundary mark or create a parcel	0	0
Each parcel that is— (a) a primary parcel (other than a balance or residue parcel); or (b) a parcel for a lease that is not defined by permanent structure boundaries	82	100
Each parcel that is— (a) a non-primary parcel (other than a parcel for a lease); and (b) not defined by permanent structure boundaries	36	60
Each parcel that is— (a) a non-primary parcel (other than a parcel for a cross lease); and (b) defined by permanent structure boundaries	51	75
Cadastral survey dataset that is resubmitted after being requisitioned	119	0

Fee description	Current fee (\$)	Proposed fee (\$)
For subsequent auditing (under section 7(1)(j) of the Land Transfer Act) of compliance with standards set under section 49 of the Land Transfer Act after an initial audit has found non-compliance ( <i>fee per hour or part of an hour</i> )	130	161
<b>Digital certificates and licences</b>		
No changes are proposed in this document to the fees for Landonline licenses and digital certificates as these services are under review as part of the Landonline rebuild. Any decisions relating to these products will be announced separately as part of the Landonline rebuild communications.	–	–
<b>Miscellaneous</b>		
Lodging plans that are not cadastral survey datasets (as defined by section 4 of the Cadastral Survey Act 2002)	223	260
No changes are proposed to other miscellaneous fees.	–	–

## 7 Potential impacts

This section describes the potential impacts of the fee proposals on fee payers.

### Title fee payers

Solicitors and conveyancers pay LINZ search and title fees and pass the fee cost on to their clients through invoices for conveyancing services. The ultimate fee payer is therefore the person engaging a solicitor or conveyancer to buy or sell a property (or make some other change to their legal interests in land).

The conveyancing cost to a person buying or selling a property tends to range from \$1,500–\$2,500, depending on location and the complexity of the conveyance. The conveyancing cost of selling a property is typically around two-thirds of the cost of a purchase transaction. Increasing title and search fees has a greater impact on the cost of a purchase transaction than on the sale transaction.

The title fee increases proposed in this document will likely add about \$15–\$40 to the conveyancing cost of buying or selling a house.

Table 10 shows the impact of the fee changes from the perspective of a legal firm or conveyancing firm. The table shows the average monthly invoices for a sample of small, medium and large legal or conveyancing firms from October 2020 and the invoices re-priced using the proposed new fees.

**Table 10: Monthly invoice fee change impacts for legal firms (\$)**

October 2020 monthly invoice 're-priced' (\$)			
Firm size	Current	Potential revised fees	
Small	\$2,215	\$2,523	
Medium	\$10,395	\$11,751	
Large	\$47,578	\$53,893	

Source: LINZ analysis of fee invoices

## Survey fee payers

Surveyors pay LINZ survey fees and pass the fee costs on to their clients through invoices for survey services. The ultimate fee payer is the person engaging a surveyor. This person may be a homeowner seeking to subdivide their property or a property developer working on a large development project.

The survey fee increases LINZ proposes will add about \$500 to the cost of lodging survey data for a small subdivision (involving two primary parcels and three easements). The cost impact is higher for more complex survey projects. Table 11 shows the impact of the survey fee changes for some typical development projects.

**Table 11: Proposed fees for different sizes of development projects**

Typical survey transactions	Current	Potential revised fees
Subdivision with 2 primary parcels and 3 easements	\$764	\$1,230
Subdivision with 10 primary parcels and 15 easements	\$1,852	\$2,750
Subdivision with 100 primary parcels and 50 easements	\$10,492	\$13,850

Table 12 shows the impact of the fee changes from the perspective of a surveying firm. The table shows the average monthly invoices for a sample of small, medium and large surveying firms from October 2020 and the invoices re-priced using the proposed new fees.

**Table 12: Monthly invoice fee change impacts for survey firms (\$)**

October 2020 monthly invoice re-priced			
Firm size	Current	Potential revised fees	
Small	\$3,001	\$4,476	
Medium	\$5,993	\$9,486	
Large	\$25,988	\$37,662	

Source: LINZ analysis of fee invoices

## Search fee payers

A wide range of different customers uses LINZ search services relating to survey and title information. These customers include:

- conveyancing professionals (solicitors, conveyancers and legal executives)
- surveyors
- other search suppliers
- real estate agents
- valuers
- banks and other lending and financial institutions
- territorial authorities, including regional councils
- firms seeking property information for market research (for example, fireplace companies)
- homeowners, prospective homeowners and other members of the public, for example, people doing genealogy research.

Most searches are made as part of survey lodgements and title dealings, and the search cost is a low proportion of the total cost of these transactions.

A public search function, released as part of Landonline's rebuild, provides search users with faster and more accessible land information (see box 3).

### **Box 3: Public search gives cheaper access to land record information**

From 1 February 2021, members of the public have been able to search and order titles from the LINZ website, making it easier for New Zealanders to access title information.

Searching by owners' name, parcel ID or in bulk, for example, will continue to be restricted to registered users of Landonline, but for individual title searches, this is a significant improvement for the public.

Source: LINZ 2020.

## 8 Next steps

This section notes the next steps for considering feedback, providing final advice to the Government and implementing any changes to fees.

LINZ will undertake stakeholder engagement during the consultation period. LINZ announced the consultation in a media release and as part of regular communications to LINZ customers and stakeholders. These communications direct people to the consultation document on the LINZ website.

Public meetings are not planned. LINZ will hold videoconference consultations with key professional organisations, and other stakeholders, to identify issues and gather feedback.

If you would like to meet with us in person or remotely to talk about the contents of this document, or other matters related to third-party funding of survey and title services, please contact us by emailing [feesreview@linz.govt.nz](mailto:feesreview@linz.govt.nz)

All submissions received within the timeframe will be considered and used to inform advice to Government on these proposals.

For more information on the fees review and updates on progress of the review, visit [www.linz.govt.nz/about-linz/what-were-doing/consultation](http://www.linz.govt.nz/about-linz/what-were-doing/consultation)

The aim is to introduce new fees by the end of September 2021.



## 9 Questions for stakeholders

LINZ encourages you to make your submissions by email ([feesreview@linz.govt.nz](mailto:feesreview@linz.govt.nz)) or post (Third-Party Funding Review Team, Land Information New Zealand, PO Box 5501, Wellington 6145) before 5.00pm on Friday 9 April 2021.

Please include the following information:

- The title of this discussion document
- Your name and title
- Your organisation's name (if you are submitting for an organisation)
- Your contact details (such as phone number, address and/or email address).

Providing a submission is optional and is not a legal requirement. LINZ encourages you to address the following questions in your submission.

- 1 What is your view on the preferred option for third-party funding of the survey and title regime (that is, option 2: Change all fees to reflect costs)?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	No opinion

What are the reasons for your view?

Can you provide any information or evidence to support your view?

Would the option of changing all fees to reflect costs benefit from any refinements?

- 2 Which option do you prefer for the fee changes? (See section 5 for more details.)  
What are the reasons for your view?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 1: Allocate an equal percentage increase to all fees	Option 2: Change all fees to reflect costs	Option 2A: Option 2 plus a system fee	None of these options (LINZ seeks your views on other options)

What are your reasons for your preferred option?

If you indicated none of these options, could you describe your preferred approach and your reasons for preferring this approach?

Can you provide any information or evidence to support your view?

- 3 Do you have a view on the impact the proposed new and increased fees could have on you, or your business? Can you please describe any impacts and quantify these if possible (for example, costs)?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Negative impact	No impact	Positive impact	Don't know

Could you provide additional information or evidence for the size of the impacts on you or your business?

Do you have a view on the wider impacts of the proposed fees changes, for your industry or for New Zealanders?

## References

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## Appendix 1: Comparison of proposed fees with Australian service providers

LINZ survey and title costs and fees can be compared with the funding systems in place in other countries, especially Australia given the similar systems of land title (see tables 13 and 14). Australian comparators were chosen with the following features:

- The provider is a government agency with delivery functions rather than private sector
- The provider's system includes a survey function, including plan lodgement.

Table 13: Funding comparison – New Zealand and Australian survey and title service providers

	New Zealand	Queensland	Tasmania	Victoria
Service name & agency name	Property Rights branch, Land Information New Zealand (LINZ)	Natural Resources branch (includes Titles Registry, Land and Spatial Information, Land and Native Title Services), Department of Resources	Land Titles Office, Department of Primary Industries, Parks, Water and Environment (DPIPWE)	Land Use Victoria, Department of Environment, Land, Water and Planning (DELWP)
Survey and title function spending in FY2018/19 (NZD)	70.3 million (increasing to 88 million/yr on average over the 5 years from 1 July 2021)	324.0 million (Cost recovery fees revenue as a proxy for expenses)	14.3 million (Includes mapping services)	216.2 million (Includes planning certificates and valuation)
NZ or state population in January 2020	4.92 million	5.10 million	0.53 million	6.59 million
Survey and title spending per capita (NZD per year)	14.29 (increasing to 17.87 from 1 July 2021)	63.53	26.93	32.81

Source: Agency websites; agency annual reports retrieved from websites on 14 January 2020

Notes: Conversion of Australian dollars (AUDs) to New Zealand dollars (NZDs) is based on an AUD–NZD exchange rate of 1.064 (source: [www.ofx.com](http://www.ofx.com)).

Table 14: Fees comparison – New Zealand and Australian survey and title service providers

	New Zealand (as proposed in this document)	Queensland	Tasmania	Victoria
Title/instrument search	Electronic = NZD6 Manual = NZD25	AUD22.28	AUD32.40	Electronic = AUD7.25  Manual = AUD18.10
Survey search	Electronic = NZD6 Manual = NZD25	AUD23.87	AUD32.40	Electronic = AUD6.89  Manual = AUD18.10
Discharge of mortgage	Electronic = NZD90 Manual = NZD180	AUD195.00	AUD171.72	Electronic = AUD110.80  Manual = AUD119.70
Instrument transfer	Electronic = NZD90 Manual = NZD180	AUD195.00	AUD212.22	Electronic = AUD89.50  Manual = AUD98.50

Source: Agency websites

## Appendix 2: System cost allocation

LINZ's general approach to system cost allocation is to allocate costs based on who is using and benefiting from the system. LINZ considered several ways to allocate system costs, based on different measures of system use. These allocation methods included allocations based on LINZ processing costs for different survey and title services, user time in Landonline and the number of transactions per service.

Due to the integrated nature of the system, there is no straightforward method for allocating the system costs to each service or product. Each allocation method has pros and cons. For the purpose of this discussion document, LINZ is comparing the preferred option and the most straightforward alternative option.

The two allocation methods are:

- Method 1 – Per transaction: Each chargeable transaction pays the same system cost.
- Method 2 – Base cost: A base cost is allocated to each transaction, with the remaining system costs allocated based on survey and title transactions, allowing for the lesser time/effort for survey parcels. The base cost is the cost of the 'lightest touch' use of the system, equivalent to an electronic search.

Because the base fee is equivalent to the cost of an electronic search, the remaining system costs are allocated to survey and title transactions only. Table 15 shows allocation of costs under the two methods.

Table 15: Two methods for allocating the system costs to be recovered (\$m per year)

		Method 1 Per transaction (\$m)	Method 2 Base cost + per transaction (\$m)
System costs	Survey	1.7	2.2
	Title	8.4	34.2
	Search	44.0	17.8
<b>Sub-total</b>		<b>54.1</b>	<b>54.1</b>
Processing costs	Survey	12.5	12.5
	Title	15.0	15.0
	Search	1.5	1.5
<b>Sub-total</b>		<b>29.0</b>	<b>29.0</b>
Total costs <sup>1</sup>	Survey (8.6)	14.2	14.7
	Title (42.8)	23.4	49.2
	Search (14.8)	45.5	19.3
		<b>83.1</b>	<b>83.1</b>

Note 1: 2019/20 revenue is provided in brackets next to each cost category for comparison.

Table 16 gives LINZ's assessment of the advantages and disadvantages of the two allocation methods. LINZ has adopted method 2 for this fees review.

Table 16: Allocating system costs – assessment

	Method 1 Per transaction	Method 2 Base cost + per transaction
Description	Each chargeable transaction pays the same system cost	Base cost allocated to each transaction. Remaining system costs allocated to survey and title functions based on survey and title transactions, allowing for the lesser time/effort for parcels
System costs per year	Survey \$1.7 million Title \$8.4 million Search \$44.0 million	Survey \$2.2 million Title \$34.2 million Search \$17.8 million
Fair	- Assumes every use of the system is equal in terms of time and benefit. But a transaction securing title is likely to be much more useful than a search transaction by itself	+ Overall allocation of system costs seems fair and reflects the benefit from using the system
Efficient	- - Search fees are much higher than search costs – resulting in a lower demand than is efficient	+ Costs are in line with benefits so that the system should work efficiently from a charging point of view
Effective	- - Disincentive to use search, which gives essential property information	+ Costs are in line with benefits so that the system should work effectively from a charging point of view
Sustainable	- If search volumes decline, LINZ loses a very large part of revenue needed to maintain system	+ Gives sustainable source of revenue
Transparent	+ Can readily identify transactions	+ Adding a base cost to each fee is a reasonably straightforward method to explain
Score (# +)	1	5
Summary	Charging the same system cost to each transaction is inefficient, ineffective and unfair because different services make significantly different calls on the system	The combination of a base cost effectively reflects the way all transactions make a basic use of the system. Adding a per-transaction cost to survey and title services reflects their additional use of the system

**Key:** ++ much better than doing nothing / the status quo  
+ better than doing nothing / the status quo  
0 about the same as doing nothing / the status quo  
- worse than doing nothing / the status quo  
- - much worse than doing nothing / the status quo