

# New fees for Land Information New Zealand survey and title services

Advising agencies	Land Information New Zealand (LINZ)
Decision sought	Approve new fees for LINZ survey and title services
Proposing Ministers	Minister for Land Information (Hon Damien O'Connor)

## Summary: Problem and Proposed Approach

**Problem Definition**

There are several concerns with current survey and title fees:

- Fees are insufficient to recover increased costs (from \$71 million in the year ending 30 June 2020 to an average of \$88 million per year for the five years from 1 July 2021).
- Some fees do not reflect the costs of providing the service for which they are charged.
- There is a lack of transparency about the main factors that drive cost.

**Summary of Preferred Option**

The preferred option is to increase fees to meet higher costs relating to the rebuilding and ongoing enhancement of Landonline.

It is proposed that title fees will increase on average by 13 percent and survey fees will increase on average by 57 percent.

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.

# Section B: Summary Impacts: Benefits and costs

## Who are the main expected beneficiaries and what is the nature of the expected benefit?

The expected beneficiaries are the users of LINZ survey and title services, who will benefit from:

- services where fees fairly reflect the average unit costs
- sustainable financing of the investment required to rebuild Landonline, which will improve service security, effectiveness, and efficiency.

Table 1 sets out the expected total revenue impact from implementing the proposals for new fees. 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 to zero over time. Therefore, LINZ aims to recover an average of \$83 million per year over the next five years.

*Table 1: Projected total annual revenue from a new survey and title fees*

Service area	Revenue (\$m)
Survey	14.7
Land titles	49.2
Search	19.3
<b>Total</b>	<b>83.1</b>

## Where do the costs fall?

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).

Surveyors pay LINZ search and 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.

In addition to solicitors, conveyancers and surveyors, a wide range of different customers uses LINZ search services relating to survey and title information. These other customers include professionals such as real estate agents and members of the public such as people researching their genealogy.

### **What are the likely risks and unintended impacts? how significant are they and how will they be minimised or mitigated?**

*Small risk of negative impact on housing affordability and land development (however the impact in relation to fee increases is minor in comparison to the overall cost of purchasing/developing property or land)*

The fee increases will contribute to the cost of buying and selling property or developing land. The proposed fee increases will mean survey and conveyancing services cost more and therefore the cost to transfer and develop land will increase. Relative to the other costs to develop land and buy and sell property these fees increases are small; however, they will allow for the maintenance of quality survey and title services which are an important part of an efficient and effective property market.

*Risk that the increased search fee discourages best use of information*

Easy access to survey and title information improves decision-making by people in the property sector. However, the benefits of maximising the provision of survey and title information to surveyors, solicitors, conveyancers and other service users need to be weighed against the need to recover the cost of providing search services through Landonline and the web-based Land Record Search service. If search fees were reduced or removed, this would require survey and title fees to increase to make up the cost, and LINZ does not support further increases in these other fees because survey and title fee payers would then be subsidising search users. In addition, LINZ does not consider that the increase from \$5 to \$6 per search will significantly reduce search requests.

*Risk of reduced demand for private search service providers*

Three search firms submitted that search fees should be higher for public customers than registered Landonline search users. These firms are concerned that LINZ's public search service will reduce demand for their firms' services. However, LINZ does not support making public search more expensive than Landonline search because the two services are broadly similar in their unit costs, therefore different fees are unwarranted on a cost basis.

## **Section C: Evidence certainty and quality assurance**

### **Agency rating of evidence certainty?**

LINZ is confident the evidence underpinning the cost model of survey and title activities is robust. This cost model was developed internally and has been independently tested by PricewaterhouseCoopers.

LINZ is also confident, noting the expected level of uncertainty, in the forecast for survey and title transaction volumes. 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.

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

Land Information New Zealand, including external panel members from the Treasury.

Quality Assurance Assessment:

Meets

Reviewer Comments and Recommendations:

A Quality Assurance Panel comprising of representatives from Land Information New Zealand and Treasury's Regulatory Impact Analysis Team has reviewed the Regulatory Impact Statement "New fees for Land Information New Zealand Survey and Title Services" produced by Land Information New Zealand and dated 6 May 2021. The review panel considers that it **meets** the Quality Assurance criteria.

The Regulatory Impact Statement provides a comprehensive overview of the different costs incurred by LINZ to maintain and develop the survey and title system. A clear justification has been made for how these costs should be recovered and a solid case made that increasing fees will improve the system's transparency and fairness.

Public consultation took place via the Discussion Document produced in February 2021, with a number of submissions received from stakeholders. The final proposal has taken stakeholder feedback into account.

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# Impact Statement: New fees for Land Information New Zealand survey and title services

## Section 1: General information

**1.1 Purpose**

LINZ is solely responsible for the analysis and advice set out in this Regulatory Impact Statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by the Cabinet Economic Development Committee (DEV).

**1.2 Key Limitations or Constraints on Analysis**

The scope of the LINZ survey and title third-party funding review is limited to the setting of fees applied to survey and title service users, sufficient to recover the costs of delivering these services.

The scope does not include the policy and legislative rationale for survey and title services.

**1.3 Responsible Manager (signature and date):**



Ruth Fischer-Smith  
Policy Manager, Property Systems and Investment  
Policy and Overseas Investment Group  
Land Information New Zealand  
2 June 2021

# Section 2: Problem definition and objectives

## 2.1 What is the current state within which action is proposed?

### Current services

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.

LINZ’s survey and title activities can be divided into two broad categories (Figure 1).

The first category is maintaining of the overall survey and title system (left-hand box in Figure 1), including developing and maintaining Landonline. LINZ also regulates and audits the system, primarily through the offices of the Registrar-General of Land and the Surveyor-General.

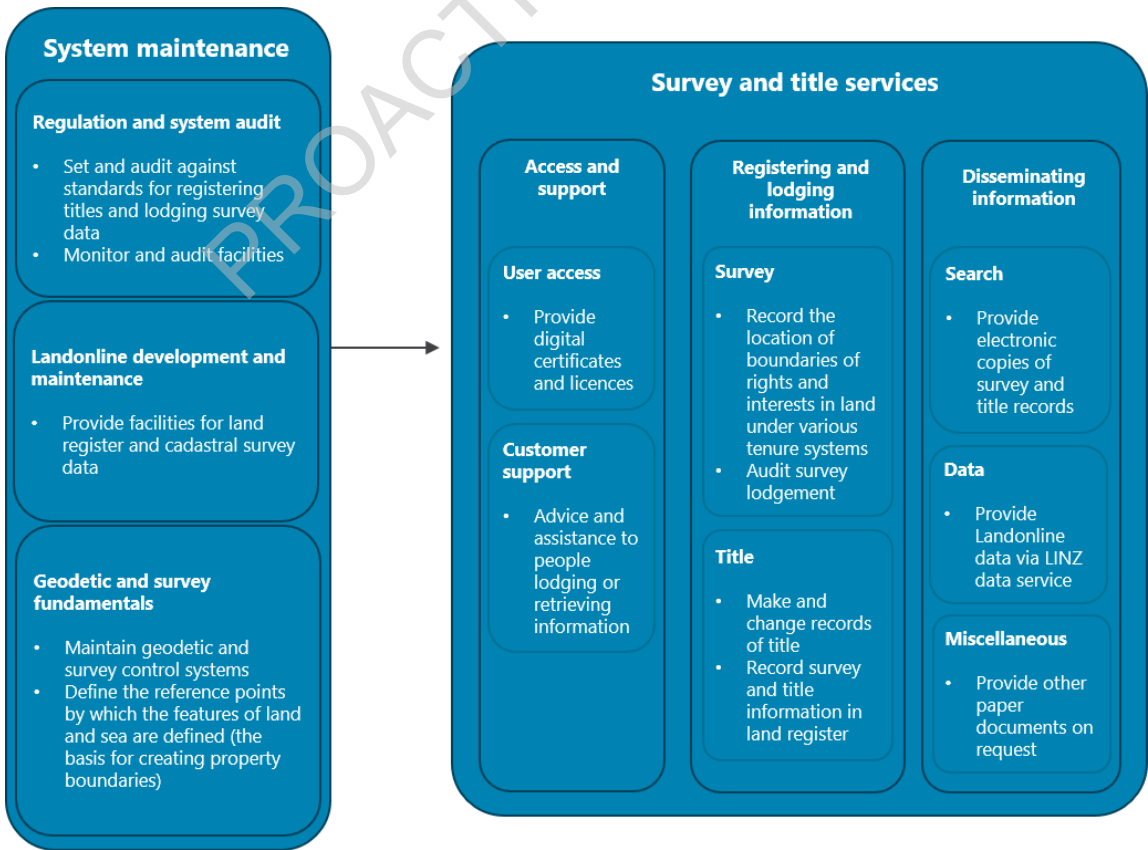
The second category is LINZ’s customer-facing services (right-hand box in Figure 1), which includes:

- providing secure and reliable access to Landonline
- services to access Landonline, and
- data entry and changes to 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 surveyors, solicitors, conveyancers and other service users and are when fees are charged.

Figure 1: Survey and title – system maintenance and services



Another important additional feature of the survey and title system is that LINZ's direct customers, and hence fee payers, are generally solicitors, conveyancers and surveyors. These organisations 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. The client could be a large commercial developer that values timely title services more than low fees. The client could also be a homeowner who values low fees more than timeliness.

### 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 land boundaries adds to the sense of security of ownership and 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.

### *Economic value of the system*

The business case for rebuilding Landonline values the survey and title system in two ways:

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

The Landonline business case states 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 \$1,300 billion (Reserve Bank M10 series statistics, Reserve Bank, Dec 2020 quarter).

- 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 2 and 3 give another perspective on the value and quality of survey and title services. The first row of Table 2 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 3 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 2: 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>	Performance maintained
Mean user score of the technology platform’s ability to anticipate growth and changing needs (Note 2)	3.63/5	3.88/5	Performance improved

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.

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Table 3: 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>

In addition to its international standing, a recent LINZ review found that the New Zealand property rights system is viewed domestically as robust and durable. The reviewers interviewed a wide range of stakeholders and found that “almost all external interviewees understood the benefits of the Torrens system, thought the principles underpinning the cadastral survey and geodetic systems were best practice, and that risks in the system are being managed well” (LINZ, 2020a, p. 5).

### Fees for services

Survey and title services are funded by fees charged to the service users (mainly solicitors, conveyancers, and surveyors, who pass the fee costs on to their clients).

### Fees review

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 from the Treasury and the Auditor-General.

## 2.2 What regulatory system(s) are already in place?

### Overarching legislation

Survey and title services are a part of a broader property rights regulatory system enabling people to own, transact, develop and invest in land and property with confidence. LINZ has key roles in relation to both property system design (eg, statutes and regulations) and service delivery.

Survey and title services are defined as all the products, services and functions that LINZ delivers under the Land Transfer Act 2017 and the Cadastral Survey Act 2002 to:

- maintain a stable and secure land transfer register
- 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 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.

### Fee regulations

Survey and title fees are set by the following regulations:

- 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).

## 2.3 What is the policy problem or opportunity?

### 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 (from fees revenue of \$66 million and costs of \$71 million in the year ending 30 June 2020 to an average cost of \$88 million per year for the five years from 1 July 2021).

LINZ is rebuilding Landonline over five years to increase Landonline's availability, reliability, sustainability, and customer focus, at an estimated capital cost of \$128.2 million. 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. The capital cost of Landonline is spread over time through depreciation. Survey and title fees recover these depreciation costs.

### Each fee needs to 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. Fee payers benefit from transparency of system costs because transparency increases pressure on LINZ to make sure the system provides value-for-money services to fee payers.

## 2.4 What do stakeholders think about the problem?

The key stakeholders for survey and title are set out in Table 4. Annex 1 provides a fuller summary of stakeholder feedback on the survey and title fees proposals.

Table 4: Key stakeholders

Stakeholder	Interest/functions in respect of survey and title services	Views on the problem and proposed solution
New Zealand public, including landholders and land developers	<p>The New Zealand public benefits from a stable and high-quality property system. Members of the public can also use Land Records Search to access the public land register.</p> <p>Landholders value security of title through LINZ land title services. Secure title allows a person or business to feel secure in the ownership of land or legal interests in land.</p> <p>For landholders and land developers, 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.</p>	<p>Different service users 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.</p> <p>One submission from a landholder was received in response to the consultation document, querying the price of a specific fee for cross-leases.</p>
Solicitors and conveyancers	Solicitors and conveyancers value survey and title services that are easy to use, efficient, effective and have stable fees.	The five submissions from solicitors, conveyancers and their professional organisations indicated a general level of comfort with the proposals (Annex 1).
Surveyors	Surveyors value survey and title services that are easy to use, efficient, effective and have stable fees.	The ten submissions from surveyors and their professional organisations generally disagreed that fee payers should pay for the costs of the Landonline IT system and disagreed with the fee proposals for reasons including the public benefit of survey and title services and the size of the survey fee increase (Annex 1).
Search users	LINZ search service users value fast and reliable access to property information, especially in electronic form.	The three submissions from search firms indicated a general level of comfort with the proposals, but considered that the public should pay a higher search fee than search firms (Annex 1).

## 2.5 What are the objectives sought in relation to the identified problem?

The following five principles inform the proposals for new survey and title fees. The principles are sourced from Treasury guidance ('Guidelines for Setting Charges in the Public Sector', April 2017) and the Controller and Auditor-General ('Charging fees for public sector goods and services', June 2008).

- **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.

- **Effective** – The funding approach or method should support the objectives and/or reasons for the service.
- **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).
- **Sustainable** – The funding approach taken must support the long-term financial sustainability of services. Reliance on Crown funding should be minimised.
- **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.

## 2.6 Cost recovery model

### 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 higher future costs are driven by the cost of 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.

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

### Two types of costs

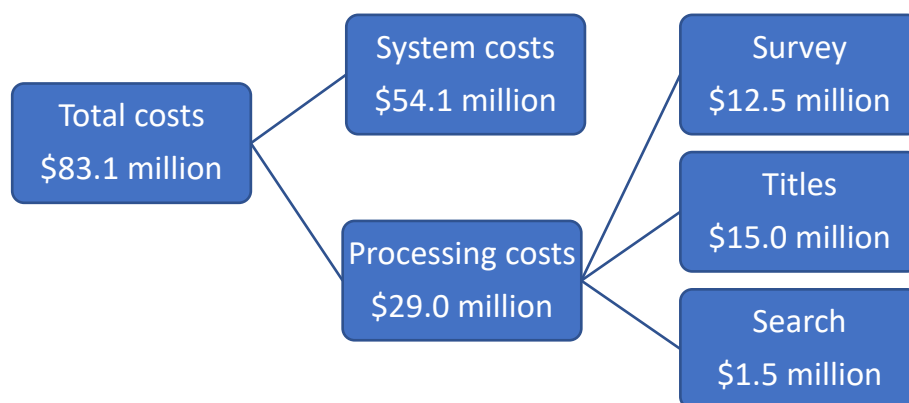
There are two types of costs to providing survey and title services: a system cost and the costs to process instruments, lodgements, cadastral survey datasets and manual searches.

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 2 shows the split between system and processing costs.

Figure 2: 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.

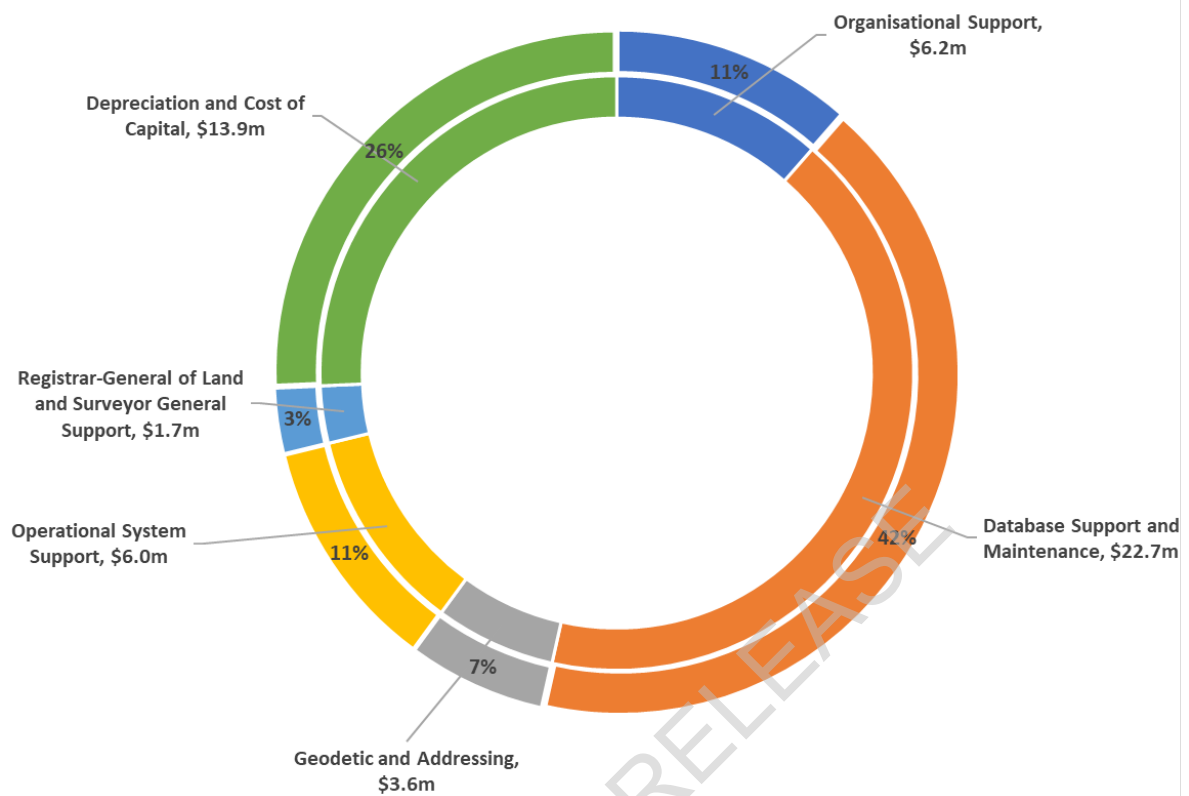
Asset costs will be \$14 million per year over the five years from 1 July 2021. Asset costs are made up of depreciation and capital cost relating to Landonline as a major technology asset. The Office of the Auditor-General's guidelines on cost recovery require fees for government services to recover depreciation and capital costs (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 3 describes the system costs.

Figure 3: 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 1 provides more details on the method for allocating these system costs.

### Box 1: System cost allocation

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

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 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 5 shows allocation of costs under the two methods.

Table 5: 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
Sub-total		54.1	54.1
Processing costs	Survey	12.5	12.5
	Title	15.0	15.0
	Search	1.5	1.5
Sub-total		29.0	29.0
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
		83.1	83.1

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

Table 6 gives LINZ’s assessment of the advantages and disadvantages of the two allocation methods.



Table 6: 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 use system inputs at different levels of intensity	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
<b>Key:</b>	++ 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	

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.

### Processing costs

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

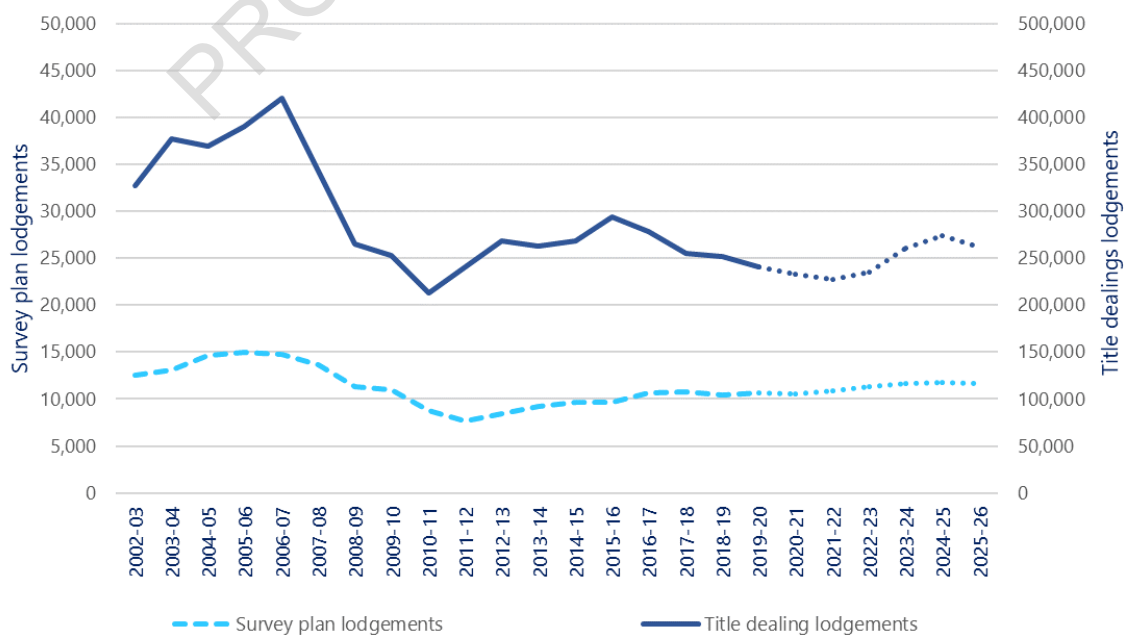
To determine the costs to process survey and title transactions, the average annual cost of each service has been calculated and divided by the expected volume of products each service would give.

### 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 4 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 4: 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 7: Projected average annual costs allocated to survey, title and search activities (in the five years from 1 July 2021, \$m)*

Cost area		Cost (\$m)
System costs	Survey	2.2
	Title	34.2
	Search	17.8
		<b>54.1</b>
Processing costs	Survey	12.5
	Title	15.0
	Search	1.5
		<b>29.0</b>
Total costs	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 cost modelling

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

- LINZ has maintained stable fees since 2011.
- System costs are the largest cost area, at \$54.1 million per year, compared with processing costs of \$29.0 million per year.
- 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.
- 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, although title-related fees continue to contribute a much greater share of overall system costs.

## Section 3: Option identification

### 3.1 What options are available to address the problem?

#### 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.

#### 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 8 compares the main current fees with the increased fees under option 1.

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Table 8: 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 advantage of option 1 is that it is the simplest means of distributing the increased costs. The 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 apportion 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 9 compares the main current fees with the increased fees under option 2. Annex 2 provides the full table of current fees and proposed fees.

Table 9: 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 fee payers 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 (see section 2.6 for discussion of system cost allocation). 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 greater transparency of the costs required to develop and maintain Landonline and other aspects of the wider system.

The disadvantage is the added complexity to LINZ and fee payers 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.

### **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 10 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.

*Table 10: 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	Provide information about the two major cost components of the survey and title fees (system costs and processing costs) or provide a reference to a published document that outlines these costs (eg, the consultation document for the LINZ fees review).	Improves transparency by indicating the main cost drivers for fee levels
Search	Replace the terms 'approved electronic facility' and 'approved electronic workspace facility' with a term that covers 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 provides 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>



<p>Fees for (1) receiving an instrument lodged for registration, notation or deposit, and (2) registering, noting or depositing a lodged instrument</p>	<p>Combine these two fees into one fee</p>	<p>Brings the regulations into line with current practice where LINZ charges these two fees as a combined charge</p>
<p>Title fees</p>	<p>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</p>	<p>The cost of this service is not significant because there are relatively few alterations compared to other title services. However, because it is a specific service, a fee should be attached</p>
<p>Requisition fees (for both title instruments and survey lodgements)</p>	<p>Remove these fees</p>	<p>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</p>
<p>Cadastral survey dataset that places a boundary mark and does not create a parcel</p>	<p>Add sub-categories of simple and complex boundary reinstatements</p>	<p>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</p>

License fees

Remove these fees

LINZ is removing the requirement for licenses as part of the Landonline rebuild. Landonline users will generally still need to have a digital certificate for authentication purposes

### 3.2 What criteria, in addition to monetary costs and benefits have been used to assess the likely impacts of the options under consideration?

The criteria used to assess options are the five principles in section 2.5 above (fair, effective, efficient, sustainable, and transparent/predictable):

**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.

**Effective** – The funding approach or method should support the objectives and/or reasons for the service.

**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).

**Sustainable** – The funding approach taken must support the long-term financial sustainability of services. Reliance on Crown funding should be minimised.

**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.

### 3.3 What other options have been ruled out of scope, or not considered, and why?

In addition to the option of introducing a separate systems fee, LINZ 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 surveyors, solicitors, conveyancers and other service users 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 surveyors, solicitors, conveyancers and other service users to adjust systems for combined fees would outweigh the benefits.

## Section 4: Impact Analysis

Marginal impact: How does each of the options identified in section 3.1 compare with taking no action under each of the criteria set out in section 3.2?

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
<b>Fair</b>	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
<b>Efficient</b>	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 service users	+ Fees are matched to unit costs, which is an efficient way of matching demand to supply	- This adds complexity for LINZ and fee payers 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
<b>Effective</b>	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
<b>Sustainable</b>	0	+ Total revenue meets predicted future costs (Potentially a risk in having half the revenue dependent on title volumes)	++ Total revenue meets predicted future costs	- 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
<b>Transparent</b>	0	- Fees do not reflect unit costs	+ Fees transparently reflect unit costs	+ A system fee increases system cost transparency, but not materially more so than option 2
<b>Score (# +)</b>	0	1	6	3

**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

## Section 5: Conclusions

### 5.1 What option, or combination of options is likely to best address the problem, meet the policy objectives and deliver the highest net benefits?

The preferred option is option 2, without the system fee proposed in option 2A (Annex 2).

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).

### 5.2 Summary table of costs and benefits of the preferred approach

Affected parties (identify)	Comment: nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact \$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts	Evidence certainty (High, medium or low)
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#### Additional costs of proposed approach compared to taking no action

Regulated parties (survey and title fee payers)	Fee proposals would result in an increase of approximately \$16.9 million per year in third party revenue from fees and charges compared to fees revenue in 2019/20 (ie, from \$66.2m to an average of \$83.1m).	\$16.9m	Medium
Regulators (LINZ)	Cost of making system and operations changes to change the fees	None (to be met within LINZ baselines)	Medium
Wider government	Cost to agencies using survey and title services (eg, Waka Kotahi, Kainga Ora) of adjusting to new fees	Not monetised – estimated low impact	Medium
Other parties (solicitors, conveyancers, and surveyors as intermediaries for fee-payers)	Cost of adjusting billing and accounting systems to new fees	Not monetised – estimated low-medium impact	Medium
<b>Total Monetised Cost</b>		\$16.9m	Medium
<b>Non-monetised costs</b>		Low	Medium

Expected benefits of proposed approach compared to taking no action			
Regulated parties (fee payers)	Benefit of services whose fees fairly reflect the average unit costs of that service. Benefit of sustainable financing of the investment in rebuilding the Landonline platform, resulting in increased platform security, effectiveness, and efficiency.	Not monetised, but medium impact based on business case for Landonline rebuild, which estimates the benefits of technology improvements (LINZ, 2018), and the role of fee changes in providing sustainable funding for the rebuild	Low
Regulators (LINZ)	Fee proposals would result in an increase of approximately \$16.9 million per year in third party revenue from fees and charges compared to fees revenue in 2019/20 (ie, from \$66.2m to an average of \$83.1m).	\$16.9m	Medium
Wider government	Benefit of sustainable financing of the investment in rebuilding the Landonline platform, resulting in increased platform security, effectiveness, and efficiency	Not monetised – estimated medium impact based on business case for Landonline rebuild, and the role of fee changes in providing sustainable funding for the rebuild (LINZ, 2018)	Low
Other parties (solicitors, conveyancers, and surveyors as intermediaries for fee-payers)	As above for regulated parties (fee payers)	Not monetised, but medium impact based on business case for Landonline rebuild, and the role of fee changes in providing sustainable funding for the rebuild (LINZ, 2018)	Low

<b>Total Monetised Benefit</b>		\$16.9m	Medium
<b>Non-monetised benefits</b>		Medium	Low

### 5.3 What other impacts is this approach likely to have?

#### 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 11 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 11: 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 12 shows the impact of the survey fee changes for some typical development projects.

*Table 12: 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 13 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 13: 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 individuals and organisations uses LINZ search services relating to survey and title information. These 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 2).

*Box 2: 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.

### Comparison with Australia

Table 14 compares LINZ survey, title and search fees with the fees of equivalent providers in Australian states.

*Table 14: Fees comparison – New Zealand and Australian survey and title service providers (NZD)*

	New Zealand (as per proposed fees)	Queensland	Tasmania	Victoria
Title/instrument search	Electronic = 6 Manual = 25	24.06	35.00	Electronic = 7.83 Manual = 19.55
Survey search	Electronic = 6 Manual = 25	25.78	35.00	Electronic = 7.44 Manual = 19.55
Discharge of mortgage	Electronic = 90 Manual = 180	210.60	185.46	Electronic = 119.66 Manual = 129.28
Instrument transfer	Electronic = 90 Manual = 180	210.60	229.20	Electronic = 96.66 Manual = 106.38

Source: Agency websites

Notes: 1. Australian comparators were chosen with the following features: (a) The provider is a government agency with delivery functions rather than private sector; (b) The provider's system includes a survey function, including plan lodgement. 2. Australian dollars converted to NZ dollars at rate of AU1.00: NZ1.08 (xe.com at 7 May 2021)



## Section 6: Implementation and operation

### 6.1 How will the new arrangements work in practice?

Subject to Cabinet agreement, new fees would be in place on 1 November 2021.

The new fees will be put in place through regulation changes. LINZ will announce fee decisions to service users in June 2021 and provide additional notices through its *Landwrap* newsletter to Landonline users and regular engagement meetings with stakeholders as part of the Landonline rebuild.

LINZ administers survey and title fees through Landonline and the TechOne financial information system. The required changes include:

- updating the internal and external information relating to the fee levels and descriptions
- ensuring new fees are captured in Landonline and fee data exchange to TechOne (this includes application development and end to end testing)
- ensuring monthly invoicing reflects fee changes
- development of the transitional approach to manage situations where fee changes span work in progress
- communication externally with service users on fee increases, including the transitional approach
- internal communications to relevant staff outlining fee changes, timing, and transitional arrangements.

Senior leaders at LINZ will oversee the implementation of fee changes, focussing on system changes, transitional arrangements, communications, and customer engagement. A dedicated implementation project manager will ensure successful implementation of fee changes in LINZ systems.

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## 6.2 What are the implementation risks?

LINZ has identified the following risks to implementation of the proposed new fees for survey and title services. These are explained together with planned mitigations.

Implementation risks	Mitigation
Increased demand for services in the weeks before the fees increase. LINZ anticipates that some service users will seek to submit more than the usual amount of survey and title information to LINZ in the weeks before the fee increase, to avoid paying the higher fee for these submissions. This will put pressure on LINZ service capacity.	LINZ will prepare its staff and systems for any bump in service demand in the lead up to the fee increase, and will reduce non-urgent business development work during this period.
The IT system changes needed to implement the fee changes may take longer than expected, resulting in a delay in the date for changing fees.	LINZ has begun planning for making the required IT system changes and will coordinate the IT changes with other IT work to meet the required timeframe.
The fee changes may not be sufficiently anticipated by some solicitors, conveyancers and surveyors, who lose money as a result of quoting clients lower fee charges.	LINZ will communicate the fee changes in June 2021 once Cabinet has made its decision, and will work with service users to ensure they prepare for the fee changes ahead of the changeover. Fee changes would take effect on 1 November 2021.

## Section 7: Monitoring, evaluation and review

### 7.1 How will the impact of the new arrangements be monitored?

As a part of this fee review and the review of Overseas Investment Office fees, LINZ has set up additional processes to monitor fees regularly and assess the case for making any further fee adjustments. Monitoring includes regular reporting of fee revenue, service volumes and memorandum account balances. LINZ also contracts NZIER to provide fee revenue forecasts to inform LINZ's own organisational revenue forecasts.

LINZ also communicates regularly with survey and title customers as part of the current rebuild of the Landonline technology platform for these services. LINZ will assess customer feedback to the fee changes as part of this regular engagement.

### 7.2 When and how will the new arrangements be reviewed?

LINZ will review survey and title fees again when the current programme to rebuild Landonline is completed or nearly completed, estimated in 2023. This subsequent review will follow the same process for third-party funding reviews as was followed for the present review.

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## Annex 1 – Submission analysis

LINZ publicly consulted from 4 March to 9 April 2021 on proposed new fees for LINZ survey and title services. LINZ published a consultation document on its LINZ website and provided notices through a media release and LINZ's *Landwrap* newsletter to survey and title users.

LINZ received 19 submissions, including submissions from the Property Law Committee of the Auckland District Law Society, the Property Law Section of the New Zealand Law Society, the Institute of Cadastral Surveying, and the cadastral stream committee of Survey and Spatial New Zealand. The other submissions came from eight surveyors, three solicitors and conveyancers, three property information providers, and one landholder.

Table 15 summarises the feedback in submissions and LINZ's response to this feedback.

Table 15: Submission feedback

Submission themes	Feedback in brief	LINZ response
<b>Cross-fee comments</b>		
Fairness across different service users	<p>It is unfair that clients of surveyors, solicitors and conveyancers are being charged for LINZ survey and title services, when other people are benefiting from the survey and title system without charge. People benefiting without charge include</p> <ul style="list-style-type: none"> <li>those accessing bulk survey and title data from the LINZ data service</li> <li>central and local government users of LINZ data for policy and planning purposes</li> <li>agencies recording Crown land information in Landonline</li> <li>the broader public in terms of the benefit of a high-quality property system.</li> </ul> <p>To address this lack of fairness, these other users should pay fees or a levy, or the government should contribute funding on their behalf.</p> <p>Commercial users of bulk data should be charged.</p>	<p>LINZ will develop advice on broader options for funding survey and title services in addition to current fees, and this advice will inform a subsequent fee review when the Landonline rebuild is complete in 2023.</p> <p>However, these broader options are out of scope for the current fees review.</p> <p>Note that Landonline transactions relating to Crown land incur the same fees as other types of land. The exception is internal LINZ transactions, which do not attract a charge so as to minimize internal invoicing and overhead costs.</p>
Cost of housing and land development	Fee increases will reduce housing affordability	LINZ recognises that any increase in housing and land development costs, no matter how small, are undesirable in an environment of rising house and land

Submission themes	Feedback in brief	LINZ response
	Particularly hard impact on small developers	prices. However, the increase in fees allows for the maintenance of quality survey and title services, and these services are themselves an important part of an efficient and effective property market.
COVID-19	Need to address the pandemic context and the need to think of broader funding options	LINZ recognizes the disruption to survey and title services from lockdowns and the wider economic impact of the pandemic but does not consider that the current fees model should change because of these circumstances.
Consultation process	Doubts about whether LINZ is genuinely consulting on fee proposals Need for more consultation prior to making proposals Consultation fatigue	LINZ considered all feedback from submissions and other stakeholder engagement before making final recommendations to Cabinet. LINZ consulted representatives of key industry and professional organisations as part of the development of the proposals. LINZ will consider ways to ensure consultation across different parts of LINZ is coordinated to minimise consultation fatigue.
Timing of fee changes	Change the timing of the fee changes to avoid their coinciding with changes to cadastral survey rules	Agree – LINZ will consider how to best sequence different changes impacting customers.
Level of the fee increase	The survey fee increase should be more moderate Some support for the fee increases overall	LINZ sought to moderate the survey fee increases as part of the review, and considers that any further moderation will put survey fees below their actual service costs.
Memorandum account surplus	Fee payers are in credit	The fee proposals recognize the fact that the current memorandum account for fees is in credit. The proposal is to take in less fee revenue than costs over the next five years, so as to return the memorandum account to zero.
LINZ value for money	LINZ needs to demonstrate value for money LINZ has not delivered on previous efficiency promises Concerns with system of survey marks Costs need to be more transparent	LINZ will provide evidence of value for money and costs in its final advice to Cabinet on fee proposals. The business case for rebuilding Landonline also provides information on the efficiency benefits of the investment (LINZ, 2018). LINZ will consider the concerns raised about the system of survey marks. LINZ will communicate to stakeholders about fee increases in a transparent manner, as part of the fee implementation.

Submission themes	Feedback in brief	LINZ response
Allocation of costs and cross-benefits	<p>Fees set in 2011 should already have reflected correct allocation of costs</p> <p>Cost allocation does not reflect cross-benefits</p>	<p>The cost components and nature of LINZ services have changed since fees were last set in 2011. The allocation of costs in the current fee proposals reflects cross-benefits. In particular, the allocation of system costs (largely Landonline development costs) reflects the fact that survey products contribute to security of title.</p>
Landonline rebuild	Landonline rebuild needs to consult more surveyors	<p>LINZ has engaged extensively with surveyors and other stakeholders throughout the Landonline rebuild, but acknowledges that it is difficult to reach all interested parties.</p>
System costs	<p>Fees should not include cost of maintaining IT system</p> <p>Wider beneficiaries should contribute to system costs</p> <p>System changes create costs for customers too</p> <p>Method for allocating system costs does not seem to translate to fee levels</p> <p>Total system costs seem too high compared to the government capital contribution</p>	<p>Fees need to recover the total cost of delivering government services and this includes the cost of maintaining IT systems. LINZ will consider wider funding options as part of the next fee review.</p> <p>The allocation of system costs does not always translate into fee levels because some services also incur high processing costs.</p> <p>Capital contributions to the Landonline rebuild do not determine the system costs that fees must cover. Instead, the system costs largely reflect the depreciation of the system over time.</p>
Future fee changes	<p>Keep fee changes infrequent for lawyers</p> <p>Future fee reviews should be more regular</p> <p>What are LINZ's intentions for next fee review</p>	<p>LINZ acknowledges that fee changes result in business costs for firms in changing their billing systems, but also acknowledges that fee reviews should be more regular. The next fee review is scheduled for when the Landonline rebuild is expected to be finished.</p>
Comparison with Australia	Comparison with Australia not valid	<p>While no overseas agencies provide exactly the same survey and title system as the New Zealand system, LINZ considers that several Australian agencies provide broadly comparable sets of services.</p>
Fee rounding	Round fees to nearest \$1 or \$10	<p>Noted. LINZ will recommend rounded fees to the extent this does not impair the cost-price relationship of fees.</p>
Search fee comments		
General comments	<p>Search fees discourage best use of information</p> <p>Allow unlimited searches for a set fee</p>	<p>LINZ acknowledges the benefits of survey and title information to the wide range of customers, but also notes the need to recover the cost of providing search services through Landonline and through</p>

Submission themes	Feedback in brief	LINZ response
	<p>Allow free access to survey information if a user created that information or previously paid to access it</p> <p>Allow free access to survey plans for survey and other spatial data purposes</p> <p>LINZ should not charge for both data entry and data download</p> <p>Need to account for higher search volumes</p> <p>Search fee should be higher for public search than Landonline search</p>	<p>the web-based Land Record Search service. If search fees were reduced or removed, this would require other fees to increase to make up the cost, and LINZ does not support further increases in these other fees.</p> <p>The fee proposals do not double-charge for both data entry and download. The fees for entering information cover data-entry related costs, and the search fees recover a different class of costs relating to maintaining search services.</p> <p>LINZ does not support making public search more expensive than Landonline search because the two services are broadly similar in their unit costs, so that different fees are unwarranted on a cost basis.</p>
Comments on electronic title search fees	<p>Increasing electronic title search fee by \$1 is not worth the inconvenience</p> <p>Hard to see cost basis for electronic search fee</p> <p>Instrument searches should be cheaper not more expensive</p>	<p>LINZ notes the business cost to customers of updating search fees by \$1 per search, but the \$6 fee more accurately reflects search costs, and holding the fee at \$5 would require other fees to increase to make up the cost.</p>
<b>Title fee comments</b>		
General comments	Title fees should contribute to survey costs	The allocation of system costs (largely Landonline development costs) already reflects the fact that survey products contribute to security of title.
Comments on specific fees	<p>Survey plan deposit fee should be charged at the e-dealing stage</p> <p>Support removing instrument requisition fee</p>	LINZ will address the comment on deposit fees as part of its service planning
<b>Survey fee comments</b>		
General comments	<p>Per-lot fee impact needs to be reviewed</p> <p>Survey processing costs should be spread across all transactions</p> <p>Survey fee for cross-lease lots should be lower</p>	<p>The per-lot fee for surveys is higher for smaller developments, because for LINZ there are economies of scale in processing survey information with larger numbers of lots or 'parcels'.</p> <p>Reducing the survey lodgment fee for smaller development projects would effectively create a cross-subsidy. Surveyors submitting large development plans would be cross-subsidising the cost of small survey plans. LINZ does not support this form of cross-subsidy.</p>

Submission themes	Feedback in brief	LINZ response
		<p>The allocation of costs in the current fee proposals reflects cross-benefits.</p> <p>The fee for cross-leases reflects the unit cost of providing that service.</p>
Comments on specific fees	<p>Duplication of survey charges for existing easements</p> <p>Support removing survey requisition fee</p>	<p>LINZ does not consider there is a duplication of survey charges for existing easements because new processing costs are incurred when new information is lodged.</p>
Other fee comments		
Access fees	Need to clarify LINZ's intentions for license and digital certificate fees	<p>LINZ is recommending removing the license fee altogether, and is not recommending any change to digital certificate fees.</p>

PROACTIVE RELEASE



## Annex 2 – 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 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
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

Fee description	Current fee (\$)	Proposed fee (\$)
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
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

Fee description	Current fee (\$)	Proposed fee (\$)
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	82	100
(b) a parcel for a lease that is not defined by permanent structure boundaries		
Each parcel that is—		
(a) a non-primary parcel (other than a parcel for a lease); and	36	60
(b) not defined by permanent structure boundaries		
Each parcel that is—		
(a) a non-primary parcel (other than a parcel for a cross lease); and	51	75
(b) defined by permanent structure boundaries		
Cadastral survey dataset that is resubmitted after being requisitioned	119	0
For subsequent auditing (under section 7(1)(j) of the Cadastral Survey Act) of compliance with standards set under section 49 of the Act after an initial audit has found non-compliance ( <i>fee per hour or part of an hour</i> )	130	161
<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.	–	–