

Ms Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal

Dear Ms Donnelly,

Thank you for the opportunity to provide a submission regarding IPART's Review of Rate Peg Methodology Draft Report (Report).

As you are aware, the Valuer General is a statutory officer independent of Government, and as such, I do not comment specifically on government policy.

I have reviewed the Report and note its recommendation to move towards capital improved values for rates charges utilising the *ad valorem* model. I note that non improved land values and capital improved values are used in different jurisdictions around Australia and across the world in either an exclusive or hybrid model – both being capable of being applied effectively and equitably. Whilst I do not have a preference for the use of unimproved land values or capital improved values for levying rates, it is considered that any decision to change the basis of valuation in NSW needs to have regard to the benefits to be achieved versus the costs of implementation.

Having previously been asked this question, I can advise that in 2016, the then Valuer General via a submission to the IPART Review of the Local Government Rating System noted that the cost of moving to a capital improved land valuation system would exceed \$100 million. The main reason for this cost is due to the need to have accurate and reliable data on property improvements to implement the change – with substantial investment to source, collate and maintain built attribute data for all properties in the state.

By way of background, Valuation NSW (VNSW) is undertaking a feasibility review of different valuation models as part of its routine valuation model and valuation methodology benchmarking, to inform me of the latest valuation developments and associated costs. A final report is expected end July 2023.

Should you wish to discuss this matter further, please do not hesitate to contact [REDACTED] via email to [REDACTED]

Yours sincerely,

3 July 2023