



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**(Reference: Inquiry into land valuation in the ACT)**

**Members:**

**MR R MULCAHY (The Chair)**  
**DR D FOSKEY (The Deputy Chair)**  
**MS K MACDONALD**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 13 JUNE 2006**

**Secretary to the committee:**  
**Ms A Cullen (Ph: 6205 0136)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents relevant to this inquiry which have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

**WITNESSES**

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**McMAHON, MS ANNE**, President, Turner Residents Association Inc. ....7

**The committee met at 2.18 pm.**

**EDWARDS, MR ROBERT**, Treasurer, Turner Residents Association Inc.

**McMAHON, MS ANNE**, President, Turner Residents Association Inc.

**THE CHAIR:** I declare this hearing formally open. I welcome the representatives of the Turner Residents Association and my colleagues, Dr Foskey, Mr Smyth and Ms MacDonald, and Ms Andrea Cullen, the committee secretary. There are some procedural matters I need to brief you on before we commence hearing your evidence.

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You are aware that we have an inquiry into land valuation in the ACT. We have received your submission and we appreciate the work that has gone into that. Would you like to make an opening statement to summarise your views for the committee?

**Ms McMahon:** I want to say first that what we chose to do was to respond selectively, in terms of our particular organisation. So we have chosen to respond to criteria (a), (b), (c), (e), (f) and (k), the ones we had some particular interest in. In terms of criteria (a), we understood in relation to the determination of the unimproved capital value that, as pretty well all land in the ACT is improved, then the procedure for determining the unimproved value is to calculate the cost of those improvements and deduct that. So what you have are annual sales and a mass appraisal system, done annually, of a suburb.

What then happens is that the improvements which exist on the land are deducted. These are deducted by a number of standard procedures to determine the depreciation of, for example, the house on the land and the structures that support that, such as paths, patios, sheds and so on. Then the particular suburb is divided into zones. Turner is very problematic in that regard, in that there are two areas of high-rise development named B11 and B12. They are treated separately from the domestic residential areas in the remainder of the suburb. We have chosen not to deal with multiunit development. That is a whole area of specialisation which we know nothing about.

What happens in the calculation of the unimproved value is the setting of a benchmark block. There is a methodology used for developing this formula, including the standard procedures—for example, one of the procedures is a thing called the Rawling index, by which depreciation and building cost are calculated. There is an assumption in there that the dwellings on these blocks have a certain life. Exactly what that life might be is really quite an interesting issue. Our recommendation relating to criteria (a) is that the methodology used, including these standard measures, be disclosed on the notice of valuation, which indicates that objections may be lodged.

This benchmark that is developed for each of the suburbs, as we understand it, is actually

not known to the leaseholders. Our recommendation is that that should be known, particularly by people lodging objections. They simply have no way of knowing what the basis of these calculations is, unless they get the detail of that nature, on which the thing swings.

I turn now to criteria (b), the quality controls. Here, because the methodology is not released and it is unknown to the leaseholders, we felt that, as a public matter, that methodology, which is used by the Australian Valuation Office which undertakes these calculations, should be subject to periodic review by a panel of experts. That could be drawn from a university that teaches accounting and this sort of area.

Turning to criteria (c), the professional standards, we have interviewed the Australian Valuation Office and we have also interviewed Angel Marina at ACT Revenue, who is an extremely helpful person. We found that there is no registration of valuers in the ACT. We know from our own professions that the issue of registration is quite a significant one, in that people who are dealing with people in these sorts of professions need to know that they are subject to codes of professional practice in their activities. Here our recommendation was that, to ensure regulation and public accountability, the valuers need to be registered.

Turning to criteria (e), the issue that was mentioned in the press and also by Mr Mulcahy's comments in the Assembly, here the issue is that there have been known to be errors. Bob, who is a computing expert from ANU, has actually checked and I must say that we didn't find any objections for domestic dwellings in the search that was made.

**DR FOSKEY:** Do you mean that, even though there were errors, nobody had lodged a formal objection on that basis? Is that what you mean?

**Ms McMahan:** You may care to comment on that.

**THE CHAIR:** I am not sure what you are saying. Could you clarify that?

**Mr Edwards:** We looked at cases that were held before the Administrative Appeals Tribunal. There were no listed cases that we could see in the last five years where individual residents had lodged a comparative or—

**MS MacDONALD:**—A complaint on the basis that an error had been made?

**Mr Edwards:** That is right. We saw a few commercial ones, but they were mainly to do not with valuation but with other issues to do with major development.

**MS MacDONALD:** Why do you think that that is the case?

**Ms McMahan:** I think it is too hard. I think people do not have the information to be able to lodge an objection, unless they hire a suitably qualified lawyer and/or architect who is familiar with the standard procedures—the Rawling index and the indexes that are, in fact, used for subtracting the structures on a bit of land. If there were errors in the Australian Valuation Office, the leaseholder would really have no way of knowing of them. In the circumstance of an objection, we are recommending that a no-cost service to

leaseholders be made available by that body to assure the leaseholder that there are no such errors.

**THE CHAIR:** Are these technical errors you are talking about?

**Ms McMahon:** Yes, just as a starting point.

**THE CHAIR:** for example, somebody might feel that the increased value of their home was out of all proportion to the changing prices in their area, which might not necessarily be so much a technical error. I suppose ultimately someone has relied on data from somewhere, but that is a slightly different issue, I think.

**Ms McMahon:** Yes, but you simply wouldn't know whether a straightforward computing error had actually been made. You ought to be able to be assured that—

**THE CHAIR:** It is a bit like when people have marks reviewed in exams and they want to ensure that they have at least been added up added up correctly. It is the same principle.

**DR FOSKEY:** Moderation.

**THE CHAIR:** They may not be arguing about the accuracy so much as arguing about whether in fact they were correctly added, which sometimes happens.

**Ms McMahon:** Indeed. It is a very common practice in universities.

**Mr Edwards:** That might have been dealt with administratively, rather than through the appeals tribunal. There could have been cases which are just not known about publicly.

**THE CHAIR:** Yes. I have certainly been advised by valuers that they have taken groups of residents and secured valuations. The reason most people don't object is the cost. Individually, it is not worth your while; that is why it is done collectively. That is getting a bit off the point. Do you want to explain anything else?

**Ms McMahon:** The other item we are particularly concerned with is the objections. These are done on an individual basis but when they are resolved, although there are very few indeed, as we have discovered, only that person is informed of it. So you could be living next door to a person whose unimproved capital value has been adjusted but you would have no knowledge of that. Therefore, we recommended that a public notice be inserted, dealing with the outcome of an objection, so that people living adjacently, nearby or in that same part of the suburb can understand the effect that has occurred and the discrepancy, really, between their block and the one that has had a successful objection.

There is another matter about this. We understand that the actual objections are heard by the Commissioner for ACT Revenue, but the commissioner is also the officer to whom objections are submitted. This seems like a conflict of interest—that you have one person who determines the rates, in accordance with the legislation of course, but there are qualitative aspects of this determination. That is very clear, really. So when there is an objection, it is the same person who hears that. We want the objections to be determined

by a separate and independent valuer. It is a bit like the person who has been put over the tax office. That is one area.

When we look at the valuation notice, it really is very badly designed, because there is a lot of repetitive information in it, in such general prose that it is not particularly helpful as to exactly what methodology has been used. We want that revised in a clear and precise manner. We sent the committee a sample from ACTEW, where they outline exactly the procedure in relation to objections, which I thought was very clear and precise.

The next item is (k). It is the one that caused us most concern—the issue of equity. What has happened here is that, prior to 1997, people who were Centrelink or veterans affairs pensioners or part-pensioners—that is, anyone in possession of the health card—received a 50 per cent concession on their rates. After 1997, from 1 July, that was changed and people who then became pensioners in those categories received only what was called a cap. That cap commenced at \$200-odd and it is now \$365.

In the ACT we have two groups of pensioners. If you take a case in point, the Turner rates have just been announced—\$2,600. One person would receive a bill for \$1,300, for that sum, and the other person would receive a concession of \$365. So there is a very large discrepancy between those two groups of people in the same circumstances. We were very concerned about that because Turner has quite a lot of elderly pensioners, as indeed does North Canberra, which has something like 3,800-odd people in receipt of aged pensions and “other”. It is called “other”, which would have to include the veterans pension.

**DR FOSKEY:** Can I clarify that? The people who are in receipt of aged pensions still get the 50 per cent concession?

**Ms McMahon:** Those who were in receipt prior to 1997.

**THE CHAIR:** July 1997.

**DR FOSKEY:** And anyone after 1997 gets this cap?

**Ms McMahon:** That is correct.

**DR FOSKEY:** That is purely an ACT government condition?

**Ms McMahon:** I do not know about the other states.

**THE CHAIR:** Is there any related federal rebate tied in with this somewhere, or not? Does that have any relevance?

**Ms McMahon:** Not that I am aware of.

**DR FOSKEY:** No, this is ACT.

**THE CHAIR:** I am curious as to why they would have a differential date like that.

**Mr Edwards:** I think that, at the time the date was introduced, the rates were a lot lower and the cap that was set at the time was much more equitable. But, over time, rates have escalated quite dramatically and the cap hasn't, so there is now a large discrepancy.

**DR FOSKEY:** Just hoping no-one noticed.

**Mr Edwards:** Yes. We noticed.

**Ms McMahan:** Our residents certainly noticed because women, in particular, who received the age pension in their early sixties are now really just 70-odd, so they will probably survive for quite a number of years. I don't have any figures as to how that group is declining. I think that is a really interesting piece of information.

**THE CHAIR:** Do you mean the pre-1997 group?

**Ms McMahan:** That are dying.

**DR FOSKEY:** That has been in effect since 1997. That is a fair while ago, isn't it?

**Ms McMahan:** It is nine years.

**Mr Edwards:** I guess the differential has just been growing slowly and it has got to a point now that it—

**THE CHAIR:** Probably more so with the indexation law. I imagine it is going to compound it.

**Ms McMahan:** Thank you for hearing those matters.

**THE CHAIR:** I am sure my colleagues share my view that it is wonderful to receive such a considered submission—such work and thought has gone into it.

**DR FOSKEY:** It is concisely put, and well set out. You have no idea how much we appreciate that.

**THE CHAIR:** We have limited time, but I will ask a couple of questions and then hand over to my colleagues. Can you be a little more precise as to the detail of the valuation methodology you would like to see on the notice of valuation? Would it be desirable to have abbreviated detail there and then maybe a separate publication for a more expanded analysis of all the other things, or are you looking for a lot more detail on the actual rate notice?

**Ms McMahan:** In the discussion with the people who are doing this, it seemed that in the methodology the key matter was this benchmark block that is derived and then the adjustments are made swinging—plus or minus—from that benchmark for a particular suburb. That is a crucial piece of information which was mentioned by both the valuation office and ACT revenue—the deriving of this benchmark.

That is the core, but there are standard measures used to determine the depreciation that should be set for, for example, the dwelling, the house. That is quite interesting, really,

because from what we understood it seemed that there is about a 100-year life for a house but, anecdotally, we have heard that in fact it is about half that time before a house is demolished.

**DR FOSKEY:** The kinds of houses we are talking about in Canberra?

**Ms McMahon:** Yes, a domestic dwelling.

**DR FOSKEY:** There are places where 100 years is quite reasonable—in some of the older suburbs of Melbourne and Sydney.

**Ms McMahon:** Yes, possibly.

**DR FOSKEY:** But not in the ACT.

**Ms McMahon:** There is an index that is used for building cost and an index that is used for depreciation. We asked also whether, in creating a value for a suburb, there was a kind of basket of sales—like the CPI—and there was no such concept.

**THE CHAIR:** That could theoretically mean that in a small suburb a low number of sales could distort the position?

**Ms McMahon:** Indeed.

**THE CHAIR:** If that is correct. I do not know, as we have not had the valuation on that. Do you share that view?

**Ms McMahon:** Yes, I do.

**THE CHAIR:** Just in terms of what you would like to see on the notice, you would like to see the indexing of building costs and the indexing of depreciation.

**Ms McMahon:** Yes.

**THE CHAIR:** Any other data?

**Ms McMahon:** The benchmark.

**THE CHAIR:** The benchmark they are using for a particular district.

**Ms McMahon:** I think that that could be contained in the statement on ACT rates, but the valuation notice, I think, could then refer people to the fuller procedure for objections. The back of the valuation notice—I do not know whether I brought my own—refers to objections but then, in fact, it repeats a lot of the information which is already on the front.

**DR FOSKEY:** Without making it any clearer.

**Ms McMahon:** Exactly. That really needs a good form design job.



**THE CHAIR:** Yes, it is pretty unappealing, isn't it?

**Ms McMahon:** Yes.

**DR FOSKEY:** Is that format the same for all suburbs?

**MS MacDONALD:** Yes, that is pretty much what it looks like.

**THE CHAIR:** It has been like that since I have been a property owner here. You talked about registering the valuers. On the face of it, that sounds like it has some merit. Do you have concerns about the professional quality of the valuers or is it just something that you would like to see as a tidying up arrangement for the profession?

**Ms McMahon:** We do not have any knowledge of particular valuers, but it really is just the uniform procedure for professional occupations.

**THE CHAIR:** Have you looked at the situation in other states?

**Ms McMahon:** We know that they are registered in Queensland, New South Wales and Western Australia, but not in Victoria and South Australia.

**THE CHAIR:** What is the qualification to be a valuer? Do you know that?

**Mr Edwards:** It is not as much a question of qualifications as of membership of a professional organisation which would set its own benchmark for what the qualification would be and have its own way of determining that.

**Ms McMahon:** It is the Australian Property Institute.

**DR FOSKEY:** We want to talk to them.

**THE CHAIR:** I thought there was some formal course.

**Mr Edwards:** Possibly that should be part of that, they should be registered with a group that would dictate that.

**DR FOSKEY:** We can investigate what is required.

**THE CHAIR:** In terms of the pensioner rebates, I would like to clarify exactly what you would like to see happen there. That is the first part of my question. The second part is: if this is designed to help people who are disadvantaged, is there a better way that we could deliver these benefits, rather than trying to do it through a series of rebates? Do you have a view on those two matters?

**Ms McMahon:** We have proposed in our recommendation that the inequity be corrected.

**THE CHAIR:** Between pre-1997 and post.

**Ms McMahon:** That is right.

**THE CHAIR:** Have them all on the one.

**Ms McMahon:** Yes.

**THE CHAIR:** Treasury officials being as they are, they might say, “Let’s get rid of the pre-1997 concession and that will solve that anomaly.”

**Mr Edwards:** It is possible that when that was introduced there was actually an advantage to some people rather than a disadvantage, but over time, especially in Turner, it has become a large disadvantage.

**Ms McMahon:** Yes, something like a \$1,000 difference, which, if you are on a pension, is very worrying.

**Mr Edwards:** It is \$20 a week.

**THE CHAIR:** Are you aware that you can attach these debts to the property?

**Ms McMahon:** Yes.

**THE CHAIR:** I know that a lot of the older people do not particularly want to leave their estate with a debt attached to it, but that facility is available.

**Ms McMahon:** That is correct. Mr Marina explained that at length, deferment, but the person then has the insecurity of their dwelling slipping away from them the longer they live. It is a way of encouraging people out of their houses and into units.

**THE CHAIR:** There is pressure on them to sell.

**Ms McMahon:** We have not looked at the rating system for multiunit development. That is another whole area which I hope that you will take up. In response to your question, Mr Mulcahy, I have agonised about that and if I were the Chief Minister I would terminate the arrangement for people on a part pension, the fifty-percenter. I think that they are extremely advantaged. It would be a painful and difficult task, but that is really how I would do it.

**THE CHAIR:** We might seek further information on the history of this change. I am not across it and I am not sure that my colleagues are, either. It predates all of us. I will hand over to Dr Foskey and Ms MacDonald. I thank you for the information you have provided; it has been helpful.

**DR FOSKEY:** Really helpful. I think that you have covered pretty well everything in which I am interested in your verbal and written submissions. Do you think that there is any advantage for the government in the fact that a landholder does not know the valuations for other landholders? A lot of your recommendations are about increasing transparency. I am just wondering whether you can see any reason that the government might not want to do that.

**Mr Edwards:** It is hard work.

**Ms McMahon:** It is costly. The fact that we found no objections in the search of the AAT over a five-year period is a bit worrying in relation to the change that has occurred in the unimproved values.

**THE CHAIR:** You cannot access the objections that have gone to the commissioner, though.

**Ms McMahon:** No.

**THE CHAIR:** I understand from information provided to the Assembly by the former Treasurer that 30 per cent were successful, which I assume means that they were being resolved at the commissioner level and not going to the AAT. Some celebrated commercial cases have gone to the AAT.

**Ms McMahon:** We don't have that information and it is not recorded.

**THE CHAIR:** If I can assist you with your reply, because there was some discussion on this when it first raised its head, obviously if I secure a reduction in the value of my home and everybody round me hears of that it would mean a substantial revenue loss if you were to have that replicated across suburbs where people may object. I imagine that there may be a reluctance to see that happen. I am not defending it, by the way; I am just thinking of reasons.

**Mr Edwards:** But is it fair for one person to get away with the objection and everyone else to be lumbered with the additional cost?

**THE CHAIR:** The ratepayers association's argument is that it is all one big pool and it does not matter, but most of us think about ourselves as well.

**Ms McMahon:** ACT revenue said to us that, in fact, what would happen is that they would simply tweak the so-called "P" factor, and the "P" factor is the percentage which is used, which is 0.036. It will be changing next year. So there is the unimproved value, plus the \$22,000 which is set and we do not know the basis on which it is set, how long it has been in place and whether it is subject to change, plus the "P" factor, which is the percentage that is used for adjustment.

**THE CHAIR:** To deliver the same revenue outcome.

**Ms McMahon:** Yes, that is right.

**THE CHAIR:** So you might have a win on your property, but the pie will not reduce.

**Ms McMahon:** Yes, that is right.

**THE CHAIR:** That is how it works.

**Ms McMahon:** That is how it works.

**DR FOSKEY:** Do you feel that your residents association operates as a de facto ratepayers association? I am not aware of most residents associations having the time or

the ability to take up these issues.

**Ms McMahan:** No, it does not act as a ratepayers policy or pressure group. We are incorporated. We have a constitution and our constitution commits us to caring for the welfare of Turner residents. It has been in operation for more than 60 years, and we were fortunate for about 25 of those years to have Dr Mac Dickins as our president. He devoted his retirement to that and was extremely knowledgeable in relation to land development issues. That was the basis of a lot of the representations on the zoning and heritage issues for Turner which at the moment are with the heritage committee.

As to the sorts of issues that we take up, on the back of this we have listed some of the problems with Turner. The irony that exists is that next year we will be rated in excess of Reid, but the state of Turner is deteriorating. We have Haig Park, which is run-down. We have the drains going into Sullivans Creek which are littered with a most dreadful sticky weed and trolleys. In fact, the residents pulled out the trolleys recently and physically took them to the doors of Supabarn and left them there. The lighting is substandard. It does not meet current lighting criteria. The footpaths are broken and dilapidated. The place is used as a throughway with the rat-run that comes down David Street and goes along Masson Street and McCaughey Street. The contradiction is that it is rated so very highly but the amenity is deteriorating.

**THE CHAIR:** That is a sad position. Ms MacDonald, do you have any questions.

**MS MacDONALD:** No. Thank you very much for the work you have done in your submission. We do appreciate it.

**THE CHAIR:** We have kept you a little beyond our plan, but we do appreciate the information and help. You have made a very worthwhile contribution to the committee's inquiry and we will certainly give those suggestions careful consideration.

**Ms McMahan:** Thank you for the opportunity to present these views. We certainly appreciate that as a community body. The fact that I have now retired means that I am available to do something.

**DR FOSKEY:** The new Mac Dickins.

**Ms McMahan:** Not really, no, but we have a mixture of retired people as well as quite a number of ANU supporters.

**The committee adjourned at 2.54 pm.**