



Valuation of Land Amendment (Valuer-General) Bill.

Second Reading

The Hon. TONY KELLY (Minister for Rural Affairs, Minister for Local Government, Minister for Emergency Services, and Minister Assisting the Minister for Natural Resources (Lands)) [9.58 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have my second reading speech incorporated in *Hansard*.

Leave granted.

The Bill currently before the House amends the *Valuation of Land Act 1916*.

As members will be aware the *Valuation of Land Act* concerns the general valuation of land, the establishment of the Office of the Valuer-General and the appointment of contract valuers in New South Wales.

The object of the current Bill is to provide for the establishment and functions of a Joint Committee of members of this Parliament to oversee the functions of the Office of the Valuer-General and to ensure the independence of that Office.

Members may be aware that in recent years the quality and independence of valuations undertaken at the direction of the Valuer-General have been open to speculation from some quarters.

To ensure the community's continued confidence in the office of the Valuer-General, the Premier announced the creation of a Joint Committee of Parliament, which will have the power to monitor and review the functions of the office of the Valuer-General.

As stated in the Bill, the Joint Committee will have the ability 'to monitor and to review the exercise of the Valuer-General's functions with respect to land valuations under the *Valuation of Land Act, 1916*, the *Land Tax Management Act, 1956* and the *Premium Property Tax Act 1998*.

In particular, the Joint Committee will have the ability to monitor valuation methodologies, the arrangements under which valuation contracts are negotiated and entered into and the standard of valuation services provided under such contracts.

Land valuation in New South Wales, as defined by the *Valuation of Land Act*, is based on the sum which vacant land might be expected to realise if offered for sale on reasonable conditions to a bona fide purchaser.

As members will be aware, the land market in Sydney has enjoyed an extended period of growth.

More recently, the coastal areas of New South Wales have enjoyed a similar boom.

This government wishes to ensure the people of New South Wales that land valuations undertaken by the Valuer-General are sound, well-informed, quality valuations based on reliable information and expertise.

This process will ensure the functions of the office of the Valuer-General remain open and accountable to the public.

The Joint Committee will not, however, have the ability to review individual valuations or objections to individual valuations.

The processing of these issues will remain the responsibility of the statutory officer, the Valuer-General.

The existing legislation makes provision for landowners to object to their land valuation on appropriate grounds to support their application.

There is also an appeal mechanism to the Land and Environment Court if such further action is deemed necessary.

The members of the Joint Committee will be drawn from both houses.

The Joint Committee will have a membership of five, with two representatives from the Legislative Council and three members from the Legislative Assembly.

The Bill outlines certain provisions relating the operation of the Joint Committee, including the appointment of the Chairperson and Vice-Chairperson, the Committee's general procedures and how the Joint Committee shall present its report to the Parliament. These provisions are quite standard and self explanatory.

This legislation will lapse at the end of the current term of Parliament. It is the Government's belief that this period will be sufficient in which to address the concerns which have been raised by the community.

I commend this Bill to the House.

The Hon. DUNCAN GAY (Deputy Leader of the Opposition) [9.58 p.m.]: I lead for the Opposition on behalf of my colleague the Hon. Rick Colless, who cannot be here tonight.

The Hon. Tony Kelly: I hope he is okay.

The Hon. DUNCAN GAY: I advise my colleagues that the Hon. Rick Colless is okay. He will be leaving hospital tomorrow.

The Hon. Tony Kelly: Are you able to report on your colleague in the other place?

The Hon. DUNCAN GAY: He is okay as well; he left hospital this morning. The Opposition will not oppose the Valuation of Land Amendment (Valuer-General) Bill, the object of which is to amend the Valuation of Land Act 1916 by establishing a joint committee to oversight the Valuer-General's office. The committee is to comprise five members, two from the Legislative Council and three from the Legislative Assembly. The Opposition has serious concerns that the committee has the potential to be stacked with Government members—and I hope they resist that. For many years, and particularly in the lead-up to the last two State elections, the Opposition has voiced its concerns about the Government's land tax following numerous complaints from the community.

The Government's land tax system is regarded as being outdated, unfair and unworkable. Land tax is also the only major New South Wales tax whereby this avaricious Government has significant control over the tax base. As my colleague the honourable member for Upper Hunter, the former shadow Treasurer, was quoted as saying, "It is like having the fox in charge of the henhouse."

In its decision in *Mauricio v Chief Commissioner of State Revenue*, the High Court ordered the New South Wales Government to review its valuation of the property in question, as it found that the valuation methodology used was inappropriate. The issue at stake was whether in fixing the unimproved value of an improved parcel of land, it is right to have regard exclusively, or virtually exclusively, to the sale of scarce, unimproved parcels of land in the same locality as the relevant land.

The judgment called into question every land valuation in New South Wales as the Labor Government had used vacant plots of land as a benchmark for unimproved land values. As vacant land is becoming scarce in many areas, there is a significant scarcity premium attached to those blocks, which is clearly inappropriate to include in land valuations of developed properties. Everyone can attest to the fact that a vacant block of land, particularly in the metropolitan area, really is worth a premium. Some of my colleagues closer to me will attest to that.

A huge public outcry followed the High Court decision, and two inquiries were set up: the Nile Inquiry in 1998 and the Walton Inquiry in 1999. Those inquiries produced further proof that there had been systemic overcharging of land tax and council rates for at least the previous five years. Mr David Singer, a lawyer, wrote in an article following the High Court decision that the Walton report showed overvaluation of between 11.5 per cent and 21.5 per cent in the eight areas of New South Wales that the inquiry investigated in depth. The Government rejected the Coalition's proposal that it review all 1998 land values in New South Wales at that time. Instead, the Government pocketed the extra revenue obtained from that overvaluation and promptly proceeded to use the inflated values as the basis of valuations for 2000, and for each year thereafter, thereby compounding the overcharging of the previous years.

The Coalition has real concerns about the make-up of the committee. A parliamentary committee run by Government members will not be independent. There is a distinct lack of detail about the committee and how it is to function. However, having placed on record our concerns, and, as I said, the concerns of my colleague the Hon. Rick Colless, the Coalition will not oppose the bill.

The Hon. TONY KELLY (Minister for Rural Affairs, Minister for Local Government, Minister for Emergency Services, and Minister Assisting the Minister for Natural Resources (Lands)) [10.02 p.m.], in reply: I commend the bill to the House.

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