

Thank you for putting together a fantastic report regarding local government funding and financing. It helped me to develop a much better understanding of current funding and financing instruments, as well as the upcoming challenges, both known and unknown.

With regards to Q6.1 (tax on vacant residential land) I strongly support that the Productivity Commission recommend the implementation of such a tax. New Zealand has developed a culture of "land-banking" for capital gain, which still remains untaxed for now. This behaviour prevents vacant land from becoming used for productive purposes and ties up large amounts of capital in property, without being productive or generating income. Land that is used for a farm or business produces taxable income from business returns. Land that is used for owner-occupied property produces non-taxable imputed income. Land that is used for rental property produces taxable income from rental returns. Vacant residential land produces no income at all, so there shouldn't be an incentive to leave the land vacant, however, the desire to make a tax-free windfall from capital gain distorts that and contributes to the so-called "housing crisis", by not building much-needed dwellings on the vacant land. A tax on vacant residential land would make that speculative incentive less desirable, and may even contribute to curb or at least reduce the insane and undeserved increase in land values that we've seen over the last decades. The tax should be calculated using a nominal risk-free rate of return (RFRM) on equity, as described by the most recent Tax Working Group in their interim report (published 20-Sep 2018), chapter 6, sections 77 and 78. It would also set a precedent for a more appropriate and fairer taxation of assets based on the (potential, imputed or actual) income derived from capital, rather than looking at capital gain only, the taxation of which is unfortunately still too unpopular and political to be considered at this stage.

With regards to R8.1 and R8.6 I would like to suggest to combine the proposed centres for science and data and for policy advice, and the new co-funding agency in a single body, to avoid possible issues around working in silos, or not communicating well enough with each other, which would hamper the development of robust policies based on science and data, and the making of sound funding decisions based on policy. The three units could become separate but closely connected departments under the roof of a single agency, feeding each other data, knowledge and experience back and forth about science, policy and funding, to improve and adapt constantly, as our understanding of and dealing with climate change progress. It would also help to form a stronger bond and foster close collaboration between local and central government, and provide a good example for other areas where better cooperation between both types of government is required.

I understand that this idea is partially incompatible with R8.5 because NZTA and co-funding processes for local roads already exist. If it was too difficult to integrate an NZTA department into this single agency, then at least the two centres for science and data and for policy advice should be set up as a single body, with participation from both local and central government, and the new co-funding agency would then sit parallel to NZTA and be dedicated to water infrastructure and flooding risks. I would however prefer a single agency as described above, because I can see a huge potential for synergy and effective collaboration in this approach, giving both local and central government strong incentives to work together on a worthy cause.