

In Confidence

Office of the Minister for Land Information

Cabinet Expenditure and Regulatory Review Committee

FINAL PROPOSALS TO UPDATE FEES FOR LINZ SURVEY AND TITLE SERVICES

Proposal

- 1 I seek Cabinet's agreement to final proposals to update fees for Land Information New Zealand (LINZ) survey and title services following public consultation.

Relation to government priorities

- 2 Survey and title services enable the buying, selling and leasing of property. This is a regular review of survey and title fees to ensure that they are set at an appropriate level to recover costs.

Executive Summary

- 3 LINZ regulates the survey and property conveyancing sectors and provides the technology platform (Landonline) which these sectors use to transact properties. Landonline holds the land title register which provides property owners with a record of title backed by government guarantee.
- 4 Landonline is being updated to ensure a secure and efficient system for property records and transactions through the Survey and Title Enhancement Programme (STEP).
- 5 Independent analysis has found that STEP has already led to substantial efficiency savings for conveyancers, financial institutions and councils. Around 80 per cent of the new system has been delivered, and user surveys report productivity gains from the new services.
- 6 LINZ's survey and title services are fee funded. On 15 April 2024, Cabinet approved the release of a discussion document with three options that would recover the costs of delivering survey and title services, including STEP, over a ten-year period [CAB-24-MIN-0120 refers].
- 7 After considering the feedback, I consider that increased fees are necessary for LINZ to continue to deliver timely and efficient survey and title services because:
 - 7.1 Submissions from major survey and legal sector bodies understood the need for fee increases to recover modernisation costs, and the majority of those expressing a preference favoured the proposed option;

- 7.2 The increases are largely being driven by the investment to improve and future proof the Landonline system and to factors outside of LINZ's control, such as reduced fee revenues from lower levels of property transactions, and inflationary pressures in the information technology sector; and
- 7.3 An independent review undertaken by KPMG found that the financial model used to allocate costs and determine the fee increases is sound. The review also concluded that the fee increases are reasonable based on their review of operational efficiency and given the investment made to improve Landonline.
- 8 Under my proposal:
- 8.1 fees for the most common titles transactions rise from \$90 to \$122;
- 8.2 fees for the most common survey transactions rise from \$850 to \$1,130; and
- 8.3 fees for public land record search rise from \$6 to \$8 for each search.
- 9 The fees represent a small part of the cost of property transactions and we continue to deliver survey and title services at a lower cost than Australian states which operate a similar system of land title registration.
- 10 I now seek Cabinet's agreement to amend the Land Transfer Regulations 2018, Cadastral Survey (Fees) Regulations 2003, and Land Information New Zealand (Fees and Charges) Regulations 2003. These amendments will implement the recommended option of a cost recovery update to all fees, including a change I have made to respond to a common concern raised by submitters. **Appendix 2** provides the full set of fee proposals.

Background

LINZ administers the survey and title system

- 11 LINZ administers and regulates the survey and conveyancing systems, which provides certainty of ownership and underpins the property market. Each year LINZ processes about 500,000 ownership titles and legal notices, approves 12,000 survey plans, and delivers over 3 million land record searches. In 2019, New Zealand was ranked by the World Bank as 2nd in the world for registering property (just behind Qatar). This rank covers procedures, time, cost, and quality. Australia was ranked 42.

Landonline is delivering value for customers

- 12 'Landonline' is the LINZ technology system used to register the ownership of land and maintain all official property records, including survey plans. Landonline was introduced in 2002 and is being modernised through the Survey and Title Enhancement Programme (STEP). There are 13,500 registered users of Landonline.
- 13 Independent assessments of STEP benefits have estimated that \$89 million in financial efficiency savings have been delivered for users (that is, surveyors, conveyancers, councils, and banks). Figure 1 illustrates the positive feedback from a recent survey of users on their productivity gains from the new Landonline services for dealings, survey and web search.

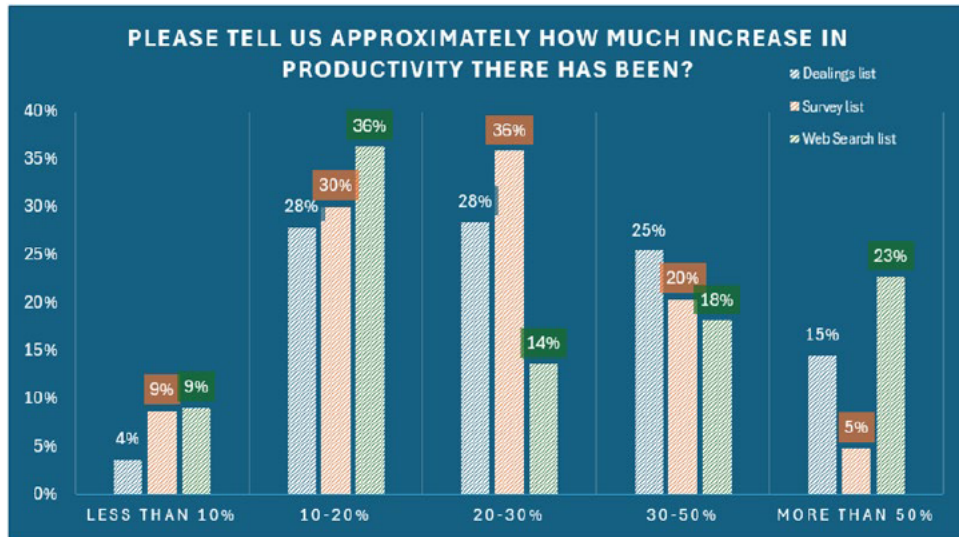


Figure 1: LINZ survey of 558 New Landonline users (July 2024)

- 14 In August 2022 Cabinet was briefed on an increase in costs and an extended delivery timeframe for STEP, due largely to the labour market consequences of the COVID-19 lockdowns and skills shortages in the information technology sector [GOV-22-MIN-0026 refers].
- 15 Over the STEP whole-of-life period to 2030, the total capital expenditure is to be \$175.7 million, and the operating expenditure will be \$76.1 million. The capital expenditure is mainly funded from a \$103 million allocation in Budget 2018, repayable over 10 years. STEP is nearing completion and remains on track and on budget. Around 80 per cent of Landonline transactions are now available in the new system.

Survey and title costs exceed fee revenues

- 16 LINZ’s survey and title fee revenue and expenses are managed through a memorandum account. Memorandum accounts transparently disclose the costs of delivering services funded by third parties and are intended to trend towards a nil balance within a reasonable period.
- 17 In the year ended 30 June 2023, LINZ received \$77.9 million in revenue from survey and title fees and the cost of delivering services was \$91.4 million (a \$13.5 million deficit). From 1 July 2024, the memorandum account is forecast to have an ongoing deficit balance resulting from:
 - 17.1 lower than budgeted survey and title fee revenues due to reduced property market activity and lower transaction volumes (for example, annual house sales and building consents have both reduced by about 33 per cent from the peaks in 2021-22);
 - 17.2 increased operating expenditure resulting from the investment in STEP to modernise Landonline (for example, depreciation and the capital charge), as reported to Cabinet in August 2022; and
 - 17.3 increased costs to support LINZ’s core property rights business, and information technology security and support.

- 18 Budget 2023 approved a repayable line of credit of up to \$85 million over three years to maintain LINZ's cash flow while a fee review is undertaken to lift revenues to return the survey and title memorandum account to a balanced position over time.

KPMG has reviewed the reasonableness of survey and title fees

- 19 In July 2024, LINZ commissioned KPMG New Zealand to undertake an independent review of the reasonableness of the survey and title fee proposals. The review assessed the operational efficiency of survey and title business activities, and reviewed the financial model for calculating fees to ensure the core logic is sound. KPMG found that it is reasonable to increase survey and title fees in line with the investment made to improve the Landonline service.
- 20 KPMG recognised the focus of STEP has been on enhancing customer experience over internal operational efficiency. KPMG acknowledged LINZ is working on opportunities to enhance its operations. As STEP nears completion the focus will move more to internal efficiencies and system automation.

Public consultation

- 21 On 15 April 2024, Cabinet approved the release of a discussion document which proposed three options for updated fees to balance the survey and title memorandum account over a ten-year period [CAB-24-MIN-0120 refers]. The three options were:

Option A (preferred): Cost recovery update for all survey and title fees

Option B: Limit fees for standard residential transactions (to moderate the impacts on buying and selling residential property)

Option C: Limit fees for manual processing of complex survey transactions (to acknowledge that the investment in modernising Landonline has not substantially improved this service).

- 22 Public consultation ran from 29 April to 7 June 2024. The key group consulted was the 13,500 registered users of Landonline. A statement on the fees review was distributed to media organisations, and supporting information was provided to whenua Māori organisations for their circulation to whenua Māori owners.
- 23 A total of 38 submissions were received: 13 from the surveying profession, 12 from lawyers and conveyancers, 5 from the property industry, and 8 from members of the public.

Final fee proposals informed by submissions

I propose to implement the preferred option

- 24 Of the 38 submissions, 21 indicated support for one of the three options. Of those 21, 12 submitters preferred 'Option A: Cost recovery update for all survey and title fees.' This was the option recommended by LINZ as it best meets the Treasury's criteria for setting fees. The submissions generally did not provide any evidence of cost impacts on service users which would outweigh the requirement to increase fees to recover costs.

- 25 Three of the six sector bodies that submitted supported the preferred option (*Law Society, Legal Executives New Zealand, and Survey and Spatial New Zealand*). Two sector bodies (*the Law Association and New Zealand Society of Conveyancers*) supported an alternative option or expressed no preference. A key concern for these sector bodies was the proposed increase to the search fee which I am addressing through an amendment to the preferred option [*paragraphs 28 and 29 refer*].
- 26 One body (*Institute of Cadastral Surveying*) was opposed to the fee increases partly because it disagreed with the funding model for survey and title services, and considered broader public good factors should be considered. These considerations were out of scope for this review.
- 27 Several of the sector bodies asked for changes to the approach to funding survey and title services. While these requests were out of scope, LINZ intends to undertake a more fundamental review of the survey and title funding model before the next fees review.

I propose to adjust the proposed fees for search and title registrations

- 28 A concern raised by the sector bodies was that electronic search fees were proposed to increase by 50 per cent from \$6 to \$9 per search, a higher percentage rise than the fees for other services. A concern was the higher search fee could discourage undertaking a necessary number of searches to inform survey plans, resulting in a risk of lower quality plans and less information for property transactions.
- 29 I accept the stakeholders' view and propose to adjust the proposed search fee to \$8 instead of \$9. This change brings the increase in the search fee in line with the average increase in other fees. To ensure recovery of costs, the fees for electronic title registrations will increase by an additional \$5, and manual title registrations by \$9. The common transaction of electronically registering or depositing an instrument (title or notice) fee will increase from \$117 to \$122.
- 30 **Appendix 1** compares the fees that were consulted on for the most common survey and title services with the final proposals. **Appendix 2** contains the full list of proposed fees stated in regulations.

Cost-of-living Implications

- 31 The proposals for updated fees will have modest impacts on the legal and surveying costs of buying and selling houses and developing property. The modest rise in costs may be offset by any productivity gains passed on from lawyers, conveyancers and surveyors to their clients because of the Landonline improvements.
- 31.1 **Impact on legal costs:** Lawyers and conveyancers pay LINZ search and title fees and pass the fee cost on to their clients through invoices. The conveyancing cost to a person buying or selling a house tends to be from \$1,500 to \$2,500, depending on location and the complexity of the transaction. The proposed search and title fee increases will likely add between \$30 and \$50 to the cost for standard residential property transactions.

31.2 **Impact on survey costs:** Surveyors pay LINZ survey fees and pass the fee cost on to their clients. The proposed survey and title fee increases will add about \$530 to the existing LINZ fees for a simple subdivision, involving two primary parcels and three easements, and about \$2,360 to the existing LINZ fees for a more complex subdivision involving 25 primary parcels and 15 easements.

32 **Table 1** provides examples of the modest impact of the current and proposed LINZ fees for a single subdivision and for a larger land development.

Table 1: Two subdivision examples and the proportions of survey and title fees

Example 1: An individual with their own home on an 800m ² section in an urban centre would like to subdivide.			Example 2: A developer who has purchased a 2 hectare site wishes to create a 25 lot subdivision.		
Total cost	\$0.05 to \$0.15 million		Total cost	\$1.6 to \$2.5 million	
LINZ fees	\$1,850 (current)	\$2,380 (proposed)	LINZ fees	\$9,430 (current)	\$11,790 (proposed)
Proportion of total cost	1.2% to 3.7%	1.6% to 4.8%	Proportion of total cost	0.4% to 0.6%	0.5% to 0.7%

Implementation

33 If Cabinet approves the proposals in this paper, I will then report to the Cabinet Legislation Committee to seek approval for the amended fees regulations. The regulations will be amended in time for updated fees to be implemented in early February 2025. This timing allows for LINZ customers to plan for the fee changes and advise their clients. **Table 2** outlines the key next steps to implement the updated fees.

Table 2: Implementation of updated survey and title fees

Milestone	Timeframe
Cabinet approval of the final proposals for updated survey and title fees	21 October 2024
Parliamentary Counsel finalise the amended fees regulations	Mid-November 2024
Cabinet Legislation Committee consider the amended fees regulations	12 December 2024
Cabinet and Executive Council	16 December 2024
Amended regulations are gazetted	20 December 2024
Amended fees enter into force	Early February 2025 (after the Christmas/New Year period)

Financial Implications

34 The proposals for updated fees would result in an additional \$45 million each year of revenue paid by survey and title customers. The fee revenues will fund the annual

operating expenditure including depreciation and the capital charge and any accumulated deficit of the survey and title memorandum account, over a 10-year period. The increase in fee revenues is expected to have a positive impact on both Operating Balance before Gains and Losses (OBEGAL) and net debt.

- 35 The fees model for survey and title services is based on the approved budget for 2024/25 and outyears. The budget includes the 6.5 per cent annual savings to the LINZ Crown-funded operating budget announced on 30 May 2024.

Legislative Implications

- 36 The Parliamentary Counsel Office will be instructed to draft amendments to the following regulations to give effect to the updated fees:

- 36.1 Land Transfer Regulations 2018;
- 36.2 Cadastral Survey (Fees) Regulations 2003; and
- 36.3 Land Information New Zealand (Fees and Charges) Regulations 2003.

Impact Analysis

Regulatory Impact Statement

- 37 A Cost Recovery Impact Statement (CRIS) has been prepared and is attached to this paper as **Appendix 3**. A LINZ quality assurance panel has reviewed the CRIS and determined it meets the Treasury and Ministry for Regulation requirements for analysis.

Climate Implications of Policy Assessment

- 38 The proposals in this paper will have no direct or indirect impacts on greenhouse gas emissions.

Population Implications

- 39 LINZ identified possible impacts of the proposals on owners of whenua Māori, including the requirement for a survey plan of a customary marine title area in the Marine and Coastal Area (Takutai Moana) Act 2011. The fees for lodging survey plans for whenua Māori will increase under the proposals.
- 40 LINZ utilised Te Puni Kōkiri and the Māori Land Court's regional networks to inform whenua Māori owners of the proposed fee increases and invited submissions. LINZ did not receive or identify any evidence of cost impacts on whenua Māori owners which would outweigh the requirement to increase survey and title fees to recover costs.

Human Rights

- 41 The proposals in this paper comply with:
- 41.1 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;

- 41.2 the principles and guidelines set out in the Privacy Act 2020; and
- 41.3 relevant international standards and obligations.

Use of external resources

- 42 The property transaction forecasts used to estimate future survey and title fee revenues were obtained through regular reporting LINZ receives from the New Zealand Institute of Economic Research, to improve the accuracy of budget forecasts.
- 43 KPMG New Zealand was contracted to assess the LINZ fees model and the reasonableness of survey and title fees. [REDACTED]

Consultation

- 44 The following departments were consulted, with feedback taken into consideration in the development of this paper: The Treasury; Ministry for Regulation; Department of Internal Affairs; Te Kawa Mataaho - Public Service Commission; Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development; Ministry of Justice; Te Puni Kōkiri, Te Arawhiti; Kāinga Ora - Homes and Communities; Waka Kotahi - New Zealand Transport Agency; Department of Conservation; Ministry of Business, Innovation and Employment; Ministry of Primary Industries; and the Ministry for the Environment. The Department of Prime Minister and Cabinet was informed.

Communications

- 45 If Cabinet approves the recommendations in this paper, LINZ will provide advance notice to its customers of the changes to come into effect once regulations are gazetted.

Proactive Release

- 46 I propose that LINZ publish this Cabinet paper on its website, subject to redactions as appropriate under the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet.

Recommendations

- 47 The Minister for Land Information recommends that the Committee:
 - 1 **note** that, following agreement from Cabinet on 15 April 2024 [CAB-24-MIN-0120], Land Information New Zealand (LINZ) publicly consulted from 29 April to 7 June 2024 on proposed new fees for survey and title services;
 - 2 **note** that of 38 submissions received, most submitters supported the need for a fee increase and the majority of those expressing a preference favoured the recommended option of a cost recovery update to all fees;
 - 3 **note** that having considered the consultation feedback, the proposals include the following adjustments to the recommended option:

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- 3.1 to increase the fee to search for survey and title information to \$8 (rather than \$9), to increase the fees for electronic title registrations by an additional \$5, and to increase the fee for manual title registrations by an additional \$9
- 4 **note** that an independent review by KPMG has found that it is reasonable for LINZ to increase survey and title fees in line with the investment made to improve the Landonline service;
- 5 **agree** to the final proposals for updated survey and title fees attached as **Appendix 2**;
- 6 **agree** to amend the Land Transfer Regulations 2018, Cadastral Survey (Fees) Regulations 2003, and Land Information New Zealand (Fees and Charges) Regulations 2003 to implement the final proposals;
- 7 **invite** the Minister for Land Information to issue drafting instructions to the Parliamentary Counsel Office to give effect to these recommendations; and
- 8 **authorise** the Minister for Land Information to make decisions on any further minor or technical issues required to implement the proposals as set out in these recommendations.

Hon Chris Penk

Minister for Land Information

Appendix 1: Summary of fees for the most common survey and title services

Table 3: Current, consulted and final proposed fees for the most common survey and title services

Transaction type (in order of number of transactions)	Current fees (all GST inclusive)	Option A Cost recovery update for all fees Stated in the discussion document	Final fee proposals In response to consultation submissions	Percentage change <i>Current fees to final fee proposals</i>
Search				
Copy of a title, instrument, or survey plan (electronic)	\$6	\$9	\$8	33%
Title and Notices				
For registering or depositing an instrument (electronic)	\$90	\$117	\$122	36%
For registering or depositing an instrument (other)	\$180	\$234	\$243	35%
For depositing a plan	\$150	\$177	\$182	21%
For a record of title	\$145	\$160	\$165	14%
Survey				
Lodging survey data that creates 1 or more parcels	\$850	\$1,130	\$1,130	33%
Lodging survey data (other than for a unit title development)	\$550	\$643	\$643	17%
Fee for each parcel in the cadastral survey dataset	\$60, \$75, or \$100	\$80, \$112, or \$138	\$80, \$112, or \$138	33%, 49%, or 38%

Appendix 2: Final proposals for updated survey and title fees

The figures for updated fees shown in Table 4 have been rounded to the nearest dollar and include Goods and Services Tax (GST) of 15 per cent. Note that 'CSD' means a cadastral survey dataset.

Table 4: Final proposals for updated survey and title fees as stated in regulations

Fee description in relevant regulations	Current fees (including GST)	Forecast average annual volume of transactions	Option A: Cost recovery update for all survey and title fees (in discussion document)	Amended final proposals: In response to concerns from public consultation	Consulted Option A - Percentage change in fees from current fees	Final proposals - Percentage change in fees from current fees
Note that the authorising legislation is: <ul style="list-style-type: none"> Land Act 1948 (section 184A) Cadastral Survey Act 2002 (section 48) Land Transfer Act 2017 (section 229). 						
Land Information New Zealand (Fees and Charges) Regulations 2003: Part 3 Searches for cadastral data						
For providing a copy of a survey plan via an approved electronic facility	\$6	3,131,970	\$9	\$8	50%	33%
For manually providing a copy of a survey plan (or records)	\$25	1,620	\$53	\$52	112%	108%
Cadastral Survey (Fees) Regulations 2003: Schedule 2 Fees						
<i>Part 1 Determining compliance with standards and integrating new cadastral surveys into cadastre</i>						
1 CSD with survey information that creates 1 or more parcels	\$850	10,130	\$1,130	\$1,130	33%	33%
2 CSD without survey information that creates 1 or more parcels	\$550	2,000	\$643	\$643	17%	17%
3 CSD without survey information for a unit title development*	\$310	450	\$422	\$422	36%	36%
4 CSD for a cross-lease*	\$230	310	\$313	\$313	36%	36%
5 CSD for a simple boundary reinstatement survey*	\$105	530	\$143	\$143	36%	36%
6 CSD for a complex boundary reinstatement survey	\$850	In 1 above	\$1,130	\$1,130	33%	33%
7 CSD of survey information that does not place a boundary mark or create a parcel	No fee	-	No change			
8 Each parcel that is (a) a primary parcel; or (b) a parcel for a lease that is not defined by permanent structure boundaries	\$100	60,110	\$138	\$138	38%	38%
9 Each non-primary parcel not defined by permanent structure boundaries	\$60	97,370	\$80	\$80	33%	33%

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10 Each non-primary parcel defined by permanent structure boundaries		\$75	14,160	\$112	\$112	49%	49%
<i>Part 2 Auditing compliance with standards</i>							
For subsequent auditing of compliance with standards ... after an initial audit has found non-compliance		\$161 per hour	-	\$254 per hour			58%
Land Transfer Regulations 2018: Schedule 7 Fees							
<i>Part 1 Search fees</i>							
For providing a copy of - A grant, certificate of title, or computer register; or	Electronic	\$6	See top row	\$9	\$8	50%	33%
	Other	\$25	-	\$53	\$52	112%	108%
A lease or licence registered or recorded in the register in accordance with the Land Act 1948; or		As above	-	As above			
A record of title showing only current information; or			-				
A record of title showing current and historical information; or			-				
Any other instrument			-				
For providing a copy of structured text of an instrument		No fee	-	No fee			No change
For certifying a copy of a record of title or an instrument		NA	-	NA	NA		
<i>Part 2 Registration and other fees</i>							
For receiving, registering, noting, or depositing an instrument	Electronic	\$90	662,360	\$117	\$122	30%	36%
	Other	\$180	1,570	\$234	\$243	30%	35%
For depositing a plan	Either	\$150	14,560	\$177	\$182	18%	21%
For creating a record of title	Either	\$145	74,470	\$160	\$165	10%	14%
For approving a format or memorandum	Either	\$80	-	\$97	\$97	21%	21%
For giving public notice if required for an application	Either	\$450	-	\$545	\$545	21%	21%
For each notice sent to a person if required ... under section 42 of the Property (Relationships) Act 1976	Either	\$6	870	\$9	\$8	50%	33%
For alterations to a record of title, including cancellations		\$161 per hour		\$254 per hour			58%

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<i>Part 3 Audit fees</i>				
Examining evidence provided to the Registrar under section 30(3)(a) of the Act if the evidence satisfies the requirement in section 30(1) of the Act	No fee	-	No fee	<i>No change</i>
Examining evidence provided to the Registrar under section 30(3)(a) of the Act if the evidence does not satisfy the requirement in section 30(1) of the Act	\$161 per hour plus expenses	-	\$254 per hour plus expenses	58%
Requiring a statutory declaration under section 30(3)(b) of the Act	\$161 per hour plus expenses	-	\$254 per hour plus expenses	58%
Any other actions relating to the audit of a certification...a power under section 29 of the Act	\$161 per hour plus expenses	-	\$254 per hour plus expenses	58%

*Note that given the forecast small volumes for these transactions, a proportional increase has been applied to maintain the relative consistency of the fee levels.

Appendix 3: Cost Recovery Impact Statement - Updating fees for survey and title services

Proactive Release