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Opinion: A mature conversation about unaffordable rates

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I want to thank Peter Minten for his opinion piece (Where is your research?, Beacon, July 25) and acknowledging that the forces of conservatism are lining up our community-owned assets for sale in order to pay for our Three Waters infrastructure. Honesty like that needs to be applauded, says ***Dave Stewart.***

At a time when we are being bombarded with misinformation, disinformation and outright lies by politicians and would-be politicians, it's time to have a respectful and mature conversation about what is really driving our unaffordable rates.

Why are councils and ratepayers up and down the country facing such unaffordable rates rises?

The answer to that question is simple, the council funding model is broken. But the solution requires a more mature response than just blaming fictitious "spendthrift" money carnivores.

As Mr Minten points out, 68 councils were unable to absorb cost of living increases and had to pass these on.

Councils are primarily funded through rates, fees, charges, and borrowing. And we all want more for our money, but we all want lower rates.

Mr Minten describes the mid-neoliberal period rates caps by stealth "… a two-term National (Bolger and Shipley) government and a three-term Labour (Clark) government loosened the rules of investment and depreciation, so a significant infrastructure deficit, national and local, could develop.

"A deficit we now must cater for and is dominating the debate for the coming years between more debt or even higher rate increases."

There is a small but critical flaw in Mr Minten's figures, however, where he echoes the Taxpayers Union Think Tank misinformation as said in The Post (July 28, 2025), in the case for failed rates caps. "Between 2022 and 2025, average council rates have surged by more than 34 percent, compared to inflation at 13.7 percent over the same period."

This analysis misses an important point. The usual inflation measure comes from the CPI basket of goods, a list of 598 consumer products: spinach, pillows, hair products, streaming TV services and so on. But councils don't spend money on the same things households do.

The majority of any council's capital spending is on construction to build and maintain infrastructure. And construction is really expensive.

According to BNZ chief economist Mike Jones, "construction cost inflation soared 35-40 percent from 2020 to 2023. It's since flattened off, but the overall level of costs is still elevated."

So, although the Taxpayers Union Think Tank is expected to use this kind of misinformation to advance it's failed ideology, we in the real world need to deal with all the facts.

Add to this the never-ending multi-million dollar demands from central government on councils that are unfunded, and it doesn't take a genius to see that unless we change the funding model our towns and cities will go broke.

It's got nothing to do with local spending and everything to do with Wellington making the rules.

So, acknowledging the rates cap of central government keeping rates lower than they should have been between 1995 and 2009, it's this underfunding of infrastructure that has caused the problem and we are paying for it now.

Central government and its supporters have hatched a new plan – however, it's another neoliberal plan.

Just like in the 80s when neoliberalism eyed up our state-owned assets with a view to buying them and charging us extortionate prices to use what we used to own, the neolibs are eyeing up our municipal assets and want us to sell them so they can make a profit from them.

So, their people talk to us about selling the municipal swimming pool, the dog pound, the museum, the airport and the CBD campground. They also want to buy waterfront councils buildings and then rent them back to us at a profit.

And as we know from bitter experience, it doesn't stop there. But the kicker is they tell us we have no choice.

We always have a choice. And that's where the neolibs and I part company. They tell you the money tree is empty. But it's not.

We saw $14 billion fall from the low hanging branches for those tax cuts that were going deal to the cost-of-living crisis, and from the even lower branches $3 billion a year falls in landlord welfare.

Climb a bit higher and shake the upper branches and hey, presto, $18 billion was hiding up there for military spending.

We don't have a financial crisis; we have a priorities crisis.

While Mr Minten wants to sell our assets to fund the government-designed infrastructure deficit on an ongoing and probably never-ending basis, I want to talk about a reform in the way councils are funded.

In Aotearoa, ratepayers pay $1.5 billion a year in GST on rates. That’s a tax on a tax.

And it never used to be like that. Whakatāne ratepayers share of that is around $9 million a year.

If the Government got rid of GST on rates, it would instantly equate to a $450 to $650 decrease in the average residential ratepayer’s annual bill.

I want that back on the table in the coming discussion about rates reform.

When someone builds a home in Whakatāne for say $1,000,000, they pay $130,000 in GST.

Recent Stats NZ data shows the value of building consents issued last year totalled more than $17 billion.

If 50 percent of GST from this activity was shared with councils, it would generate $1.3 billion for city and district councils to invest in core infrastructure that supports growth. I think that should be in the discussion.

The Government also doesn’t pay rates on property it owns like schools and hospitals, even though they require and use many of the same local services.

Auckland Council, for example, estimated in 2024 that the total value of rates the Government was exempt from in the city was more than $36 million.

Local government needs flexible funding to keep delivering what communities need. These could include things like congestion charging, fuel levies, bed taxes, and value capture tools.