



[News](#)

[Reports](#)

[Events](#)

[Dine Shop Stay](#)

[Notices](#)

[Trades Services](#)

[Home](#) > [News](#) > [Ratepayers need a more efficient property rate and valuation system](#)

Wed, Oct 8, 2025 3:57 AM

Ratepayers need a more efficient property rate and valuation system



Rob Probst

World renowned guru and reliability and maintenance expert Christer Idhammar said: "People cannot be more efficient than the system they work in allows them to be, (the system management has put in place)"

Ratepayers and local district councils suffer from an inefficient rates and infrastructure financing system. A paradigm shift in our thinking is required to prevent fixed income homeowners being forced out of their homes and stretching household budgets beyond limits for most of the rest. Several candidates vying for Whakatāne District

Council suggest we should not be campaigning for recovery of GST on property rates since politicians have tried before and failed. Others suggest capping rates without alternative funding options, a user-pay approach that has bankrupted councils in the UK and Australia. I would like to share an example of a successful property rate valuation and financing system in California.

Shortly after my family emigrated to New Zealand in 1995, I was lucky to land the engineering manager role at Bay Milk Products; my first experience in the dairy industry. After a brief "honeymoon" period, I started to dread my arrival at the Edgumbe site. Each morning as I passed a shelter belt of trees two kilometres east of the site, I would anxiously peer at the casein plant's drier stack. If the lid was closed, the plant was offline, and I knew the morning production meeting would be a tense finger-pointing session about the downtime cause, financial impact and complaints from Bay Milk's owner-suppliers about delayed milk pickups.

We averaged three plant stoppages a day, and the longer ones resulted in tonnes of unprocessed milk shipped to the NZ Dairy Group. When I asked the milk scheduler if he ever tired of shifting milk to other sites, he replied, "That's what plants do; they break down." He was trapped in the same 'run to failure' equipment maintenance paradigm as most of Bay Milk's farmer-suppliers.

Fed up with the impact of equipment failures on my well-being, I convened a meeting with engineering staff and trades where I asked what we could do to get to zero breakdowns? They didn't respond.

Two weeks later, we reconvened, and I asked if anyone had a solution to my previous question. One of the trades said, "We know what to do, but it will cost us." He explained reducing breakdowns would reduce callouts payments; three hours at double-time, which contributed to 25 percent of their annual earnings. The lightbulb lit up! Management had institutionalised an inefficient, reverse-incentive payment system where the more the plant broke down, the more the trades got paid. They were also unwilling to share their expertise with other trades for adequate problem solving. Job protection.


We talked about workable solutions and trade staff, maintenance and site management agreed to "get out of the box" and trial a fixed salary system. We agreed to include the 25 percent annual overtime earnings in the salary, but there would be no payment for after-hour callouts. The new system incentivised a reduction in breakdowns and after-hour callouts allowing trades to work less, improve plant

performance while protecting their earnings. It was risky, but we all took a chance and changed the system. Trades were unsure management would stick to the agreed hours, and management was not sure trades would work the required hours to keep the plant running.

Six years later, breakdowns and after-hour callouts dropped by 80 percent, processing capacity and quality performance increased, resulting in a \$5 million a year bottom line improvement. The bottom-line improvement has continued for 23 years, and Fonterra Edgecumbe is recognised as one of the most dependable in Fonterra.

Increased employee wellbeing, job and income security, more home-time and job satisfaction are also an outcome. Fonterra adopted Edgecumbe's salary model in 2005 as part of the EPMU contract.

Back to California and its Proposition 13 (officially named the People's Initiative to Limit Property Taxation) and revenue gap filling Tax-Free Interest Municipal Bond financing.



Prop 13 was a "tax-revolt" initiative championed by the Howard Jarvis Taxpayers Association, a California-based nonprofit lobbying and policy organisation, officially nonpartisan. It is an amendment of the Constitution of California enacted by means of the initiative process to cap property taxes and limit property reassessments to when property changes ownership. Prop 13 was approved by 65 percent of voters in a primary election on June 6, 1978. It mandated the State of California to set property tax increases limits at 2 percent a year or CPI, whichever is less, and it sets property taxes at 1 percent of market value when a change of ownership occurs. It set property valuation to 1977 values for the initiation of the new law in 1978. It allows homeowners to pass on their low property tax base to their children, helping to make

it easier for future generations to afford property in California. It insulated homeowners against arbitrary rates and valuation increase.

Prior to Prop 13, property value and rates assessment were much like Whakatāne and New Zealand. Rates and property valuation were determined by local municipal governments (district councils). California's home prices nearly tripled in the 1970s and property rates doubled. Many long-time homeowners, particularly seniors, faced the prospect of being taxed out of their homes simply due to rising market values.

Prop 13 was opposed by many politicians who suggested it would be a disaster, resulting in a \$7 billion revenue shortfall (in 1978 dollars). Municipalities did suffer revenue shortfalls, more severe than we would feel in Whakatāne because local school funding was dependent upon ratepayers, rather than a centralised funding model.

One of the major "revenue gap fillers" was, and remains, the issue of municipal tax-free interest bonds. California municipal bonds work as loans to the state, its cities, counties, or related agencies to fund public projects like roads, schools, and water systems. Investors lend money by buying these bonds and receive regular, taxable or tax-exempt interest payments. At the end of the bond's term (maturity), the investor receives their original investment back. The primary benefit for investors is the tax-exempt nature of the interest income, which can provide a valuable tax advantage. A secondary benefit is the minimal risk associated with municipal bonds which are backed by local and state government.

Prop 13 remains one of the most popular referendums of all time. In 2004, Warren Buffett, an adviser to Arnold Schwarzenegger's California governor campaign, suggested he roll back or cancel Prop 13. Mr Schwarzenegger responded by telling Buffett he would make him do 500 sit-ups if he ever mentioned Prop 13 again.

Following the referendum campaign's success Mr Jarvis exclaimed, "We the people, not the politicians, are still the boss."

Several powerful paradigm shifts in thinking enabled the passage of Prop 13. First, people can make laws through the referendum process and do not need to rely on politicians. Second, there are alternative infrastructure funding solutions for district councils, including municipal bonds, which enable capping of rates and property values to protect homes and lifestyles without bankrupting the council.