

CHAPTER 11

POSTSCRIPT

The Administrative Debacle

As this was being written the 19th Australian Prime Minister, John Grey Gorton, desperately anxious to harvest a few votes in a by-election, prematurely announced a fundamental change in the Canberra leasehold system. As far as can be gathered from the limited information made available to the Australian public, who are the owners of Canberra, the broad outline of the proposals are as follows:-

- (1) the payment of land rent should cease and as a consequence the 20 year re-appraisal of land values for rental purposes should cease.
- (2) the income lost in consequence of the abolition of land rent should be made up by increased rates.

It is innocently claimed by the Minister for the Interior that this proposal will in no way *weaken the leasehold system* because:-

- (a) the power to control town planning through the purpose clause of the lease will still remain;
- (b) as the Commonwealth will still own the undeveloped land the power to control the course of development in new areas will be unaltered; and
- (c) the power to require that the land be built upon will remain unchanged.

What the Minister did not add was that these three elements are not in any way peculiar to a system of leasehold land tenure. There are other ways to control planning and development. In completely freehold areas, specially in a young city — and Canberra is a young city — they can be completely controlled by town planning legislation. Legislation compatible with freehold could also control the use, misuse or underuse of land — at a price. The characteristic of any leasehold system of land tenure is that the lessee of land occupies it for a certain period or succession of periods and that he pays a rent related to value. The abolition of rent or the institution of a pepper corn rental is in effect the abolition of leasehold and whether the last step to freehold is taken is very largely immaterial. There is only a skeleton leasehold left and its ultimate funeral, though assured, is a matter of little consequence.

The proposals signal the complete breakdown of the administration of Canberra's leasehold system. They are a public indictment of that administration, proving beyond all doubt its utter incompetence to meet the challenges put forward by this daring and imaginative social experiment. Labor leader Gregor McGregor was correct when in 1902 he visualised that the success or otherwise of *the experiment in land nationalisation* would depend very largely on its administration. Departmental minds, small minds, freehold minds and confused minds have proved inadequate to implement this grand undertaking. Radical reforms for the administration of the Australian Capital Territory were outlined in the previous Chapter and these proposals put forward by the Prime Minister are a complete justification of the need for sweeping administrative reform.

All land has a rental value and if the Commonwealth does not get this value the lessees will and the rent will be capitalised into land prices. Henceforth all Canberra leases will sell at exactly the same price as freehold. Every square foot of Canberra which is presently leased to private persons will be given to those persons in fact if not in legal fiction. The most valuable lands in the Civic Centre will in the main be presented to some of the richest financial corporations in Australia. What savage irony it is that these same corporations which once scorned and denounced the Canberra leasehold system are now to be given land within the centre of the city! These Banks and Insurance Companies may well become advocates of a leasehold system of land tenure — Canberra style!

The claim is made that the total income for Canberra will not diminish when the land rent is abolished because the \$2½ million land rent collected annually will be made up by increased rates. There is certainly plenty of room for an increase in rates. Canberra's rates are amongst the lowest rates in Australia. It is most probable that they are in fact the lowest in Australia and there is no doubt that Australian rates are the lowest in the English speaking world. The land rent and rates together return about \$3½ million annually which is roughly half the sum produced by rates alone in many cities of comparable size. But what of the future? Every decade the land rent should be increasing substantially and in one life time if the leasehold system were properly administered and land rent collected in the manner suggested in the previous Chapter Canberra could be one of the richest cities in the world. It would be unique in that it would have no municipal rates and far from being a drain on Commonwealth finances it could begin repaying to the Commonwealth the capital expenditure of past years. This was the vision of its founders and it is still possible of realisation. But such has been the limited vision and ineptitude of its administration that the 19th Australian Prime Minister has been reduced to making the pitiful proposals outlined above.

The proposals envisage that the premiums paid at auction for leases by future purchasers shall be sufficient to pay the cost of kerbing, guttering, draining, water supply, sewers etc. This means in effect that the raw land is

given away for the cost of necessary services and thereafter the land, apart from town planning requirements, is completely at the disposal of the so-called lessee. Inevitably land prices will rise and rise steeply. Here is a gift to the first 23,000 lessees in Canberra! But what of the next 23,000 lessees? Whereas the first 23,000 lessees were 46 years coming to Canberra the second 23,000 will come within 6 years. They will have to pay their rates which need not and should not exist and they will have to pay for their homes, shops and offices against the ever rising barrier of high land costs. In short, instead of paying land rent to the Commonwealth they will be paying high interest rates to the mortgagee companies for money to build. Should the Commonwealth ever require to resume leased land for public purposes it will have to buy back at enormous cost that which has been so lightly given away. Most of the voices which will be raised in favour of this proposal will be those who will benefit most financially from it and some others who delude themselves in thinking that attractive horizons will open with the abolition of land rent. Most of Canberra's residents come from or will come from elsewhere e.g. Melbourne and Sydney where the kind of money paid in rates is pretty modest. They will regard necessary rates in Canberra as exorbitant, forgetful of remitted land rent. This absurd policy will not make lasting friends — any made will be lost in a decade or less. The extremely high cost of living which must follow as night follows day will see to that.

The Australian public at large will be silent because they are scarcely aware, if at all, of the significance of the Prime Minister's proposals. A tremendous responsibility rests upon their Parliamentary representatives, irrespective of their political party, to see that this betrayal of their interests and their children's interest does not take place.

There is no doubt that these proposals were announced prematurely. They have been advocated for some years by large commercial interests and according to press reports senior officers of the Department of the Interior have been studying them for a long time. Over the years this same Department has had the responsibility of Territory administration. It has not been equal to its responsibility. It was the commencement in 1964 of the 2nd 20 year re-appraisals which first shook its nerves and it has been in a state of panic ever since at the vision of the increasing number of leases falling due for re-appraisal. Sweeping reforms in Canberra are absolutely essential — reforms in administrative structure, reforms in valuation procedure, reforms in the wording and administration of the purpose clause, reform in rental increments and reforms in Territory government so as to involve the citizen in administration. These are matters which have been discussed in the previous Chapter. The Prime Minister's proposals reform nothing. They are destructive and not constructive. Let no one fondly imagine that the implementation of these proposals will solve the problem of valuation. The amount of the rate in the dollar will, if it is the same all over Canberra, make Civic Centre rates absurdly low. If different levels are used in different areas the rates in the dollar will be arbitrary, capricious, based on no principle and be at the whim

of Departmental officers of proven incompetence where Canberra's leasehold tenure is concerned.

The plain fact is that there is not, nor has there even been, nor can there ever be, any real basis in Canberra upon which to decide the amount of rates which ought to be collected, or the rate in the dollar which ought to be charged. This is so because there has never been, nor can there ever be, any true municipal accounts. Assumptions, guesses, exemptions and exceptions are no basis for municipal accounts. The real truth is that there is not, nor has there ever been, any need for rates in Canberra, as in Sydney or Melbourne, because in Canberra the Commonwealth is legally and morally entitled to the full economic rent of the land. To replace land rent, this *handsome endowment for all time*,¹ this soundly based fund or income by an arbitrary rate or tax which must, in the popular mind, be identified with similar rates elsewhere is completely unsound. Ethically and administratively it is nonsense.

If the proposals are implemented the rates will at the beginning appear enormous, the land rent component swelling them. They will of course be justified by reference to some quite fanciful figures said to represent municipal costs. The arguments about what is municipal and what is national will be revitalised and popular pressures must force the rates down to a level where the discarded land rent is forgotten. How can it be otherwise? There is no clear principle or yard stick for an increase over the years and no one answerable politically for the rates level! Inevitably these rates will fall far behind the true rent level and land values must soar and the cost of living in Canberra with them. The capital gains at Australia's expense which will accrue to the rich corporations and other commercial interests presently holding leases in Canberra will be enormous.

Dr. M. Neutze, head of the A.N.U. Urban Research Unit, Research School of Social Sciences, discussed these proposals and concluded that *it seems that only a lack of understanding can explain the fact that State politicians, who claim they are short of resources to service their own urban areas, are not protesting a proposal to hand over an equity worth over \$100 million to the lessees of Canberra.*

Increased levels of property rates on the unimproved value of sites will not adequately replace land rents, as a rate is usually 'struck' to cover the cost of community services.

We seem to have forgotten what the rents are for — a strange situation when we consider the attention it was given in the early years of the Commonwealth Parliament.

The Commonwealth as ground landlord and as land developer seems to be entitled to expect that the value of its equity will rise in proportion to the market value of the sites it owns, which has nothing to do with the cost of municipal-type services.²

The Canberra leasehold system may survive as a fiction, but it will be meaningless. There would be no difficulty in devising legislation which converted this fictional leasehold into freehold and retaining all the useful planning controls. Future generations will demand the freehold – they will certainly have paid for it – but whether they get it or not is really of little consequence. For they will already have freehold in fact, if not in law. Under these proposals the Government surrenders, forfeits, abandons and gives away its right and duty to

... secure for the Commonwealth the growing and permanent source of revenue from the State earned increment in the value of land which comes silently from the mere accretion of population and from the exercise of the power of government.

Let it be acknowledged, emphasised and realised that the words quoted are not the words of some socialist, some radical agitator, but rather that they are the words of the militant non-Labor conservative, B. R. Wise, spoken at the Federal Convention held at Adelaide in 1897. These were the years when the words *unearned increment* were basic to any discussion of leasehold tenure in the proposed federal territory. As King O'Malley (Lab. Tas.) saw it:-

*... every dollar spent by the people of Australia in the erection of that (federal) capital will create an unearned increment in the property for miles around ... The question now is, are the people of Australia prepared to spend thousands and thousands, yea, millions and then lose the benefit of their expenditure? I say the unearned increment created by the expenditure of the people's money belongs to the people ...*³

Or as Hume Cook, a conservative non-Labor member from Victoria, put it:-

*I hope not only the land on which the (federal) city is built will belong to the people of Australia ... all rents and profits from the ground itself ought to flow into the national treasury. The unearned increment which must necessarily arise in connection with a city of this kind will go not to persons, companies and syndicates, but to those who have a legitimate right to it – the people.*⁴

Or as G. B. Edwards, the moderately conservative non-Labor member for North Sydney who insisted on the insertion of section 9 in the Seat of Government (Administration) Act 1910 said:-

*... the Commonwealth will spend some millions of pounds in the Territory and should profit by the increase which that will give to the land values ...*⁵

Why, today, is the concept of the *unearned increment* almost certain to be ignored in debates on the Canberra leasehold system? Has public imagination been so gripped by the town planning possibilities of a leasehold system that all else is obscured? Is political thinking in Australia bogged down in

sterile conservation and barren opportunism? Is the alleged Left with its intolerant elitism actually poverty stricken in ideals and ideas on social analyses and structural radicalism? Is the Right so bankrupt in ideals and ideas, so immersed in some modern form of materialism, conservatism or opportunism that what was once universally regarded as a basic or fundamental principle has lost all meaning and importance?

The Department of the Interior, at all events, has found an immediate cause for the abandonment of land rent, for tossing away what was formerly the central objective of Canberra's leasehold system. The land administrators have complained to Parliament that

*. . . the academic argument for land rents accruing to the Commonwealth are overwhelmed by the real difficulties in making the system work.*⁶

Life itself is not without *real difficulties* — for some more than others — but few are *overwhelmed* by them. Indeed, the new system will itself have its share of *real difficulties*. Will they, too, overwhelm?

Let the Departmental admission of inadequacy for its task, the abject confession of administrative incompetence, be contrasted with the future envisaged by Senate Labor leader Gregor McGregor nearly 70 years ago

*. . . only fancy what could be done in a federal territory if we had the right men representing the Commonwealth. Look at the lessons which could be taught in connection with land tenure . . .*⁷

The Commonwealth Parliament today is unfortunately not always well advised on the question of Canberra leasehold. As an example, the Joint Committee on the Australian Capital Territory in 1965 held an enquiry into the supply of residential blocks in Canberra. The Committee reported that it received information concerning *the original objectives of the policy of leasehold tenure* and of how *the originators of the scheme never contended that the Commonwealth must show a profit from the venture* and of *much divergence of opinion . . . and confusion of ideas* as to rental percentages etc.

History is the propaganda of the victor — according to the sceptical. But this *information* is not history. It is arrant nonsense. Not one word in the public records of Australia will be found to support it. In fact, it is the complete opposite of the original objectives of the policy of leasehold tenure. The Joint Committee was wrongly advised in this respect, and, as a consequence, imaginary history found its way into the Committee's Report. The result has been that this nonsense, innocently received and recorded by a Parliamentary Committee, was actually quoted in Parliament to support a naive claim that the *ingredients* of Canberra's leasehold problems had been identified.⁸ It is fitting indeed that a Senator should become *worked up*⁹ about Canberra leases. It is however even more desirable to be *clued up* before speaking or voting on this or any other subject.

The proposals to abolish land rent involve changes so fundamental that the whole future of the Australian Capital Territory will be effected. They should be the subject of the most exhaustive public enquiry. Nothing less than a Royal Commission on every aspect of the administration of the Australian Capital Territory and its future will meet the present need. A Parliamentary Select Committee is just not good enough.

An interim Ordinance has been passed and all is in train to implement the new policy. No complete details about the new system have yet been announced. The Departmental approach of having secret consultation with selected interest groups is hardly conducive to a satisfactory public understanding of the issues involved. In fact, this secrecy is incredibly irresponsible and shows an extraordinary contempt for public opinion and the public good.

Canberra is the realisation of a dream of three generations of the Australian people. As this book has shown its origins lie deep in Australian history. It is not and must not be just another city reproducing in the course of time all the nearly insoluble problems of the modern city largely bred of freehold land tenure.

NOTES ON CHAPTER 11

1. P.D. 17:5411 Charles Cameron Kingston
2. Quoted in *The Canberra Times* 27 October, 1970.
3. P.D. 3:2808
4. P.D. 3:2811
5. P.D. 9th November, 1910
6. P.D. 26 October, 1970 p.1481
7. P.D. 12:16491
8. P.D. 26 October, 1970 p.1488
9. Ibid p.1490