

THE QUEENSLAND SYSTEM OF SINGLE TAX MUNICIPAL RATING.

ITS ORIGIN AND RESULTS IN OPERATION.

By H. F. HARDACRE, M.L.A.

(Continued)

HENRY GEORGE IN QUEENSLAND.

Henry George (with Mrs. George) at the invitation of this League visited Brisbane and gave several public lectures in the earlier portion of the year during which the Queensland Municipal System of Rating became law. so that undoubtedly the adoption of the principle must be traced back to the writings and advocacy of Henry George. Nevertheless, the honor of having caused his principles to be actually incorporated into the Statutes and put into operation in regard to Municipal Rating in Queensland for the first time in any country, must be freely given to Mr. Wm. Stephens. And after him must come Sir S. W. Griffith, who is also entitled to credit for adopting the suggested method, and drafting the suitable provisions.

The Valuation and Rating Act of 1890, originally passed as a separate Act, became in course of time included in a later consolidated Local Authorities Act. But although there have been a number of modifications and additions to the original sections during the process, the main principles have not been altered. The most important section laying down the principle of rating and the rule for making the valuation has not been altered in any respect.

It may now be useful to state briefly the more important provisions of the Act relating to the principle, and while doing so make, where considered desirable, a few passing comments.

THE MAIN PROVISIONS OF THE ACT.

The first section dealing with the matter declares: that:—

ALL land is rateable for the purposes of the act with the following exemptions only, that is to say:—

(1) Crown land which is unoccupied or is used for public purposes.

(11) Land in the occupation of the Crown, whether of any Department of the Commonwealth, or of any Department of the State of Queensland, but this shall not be held to include lands rented in towns by the Crown from persons or Corporations.

(111) Land in the occupation of any person or Corporation, which is used for public purposes, also land vested in or for the time being placed under the

management or control of any person or Corporation under or in pursuance of any Statute for the purposes of any acclimatisation society, or for the purposes of a show ground, or for public recreation or athletic sports or games, or for purposes of public charities.

(IV) Land vested in, or in the occupation of, or held in trust for a Local Authority.

(V) Commons.

(VI) Land not exceeding in area fifty acres and used exclusively for public worship, or for public worship and educational purposes, or for an orphanage, school of arts, technical school, or college, school of mines, public school, or library.

(VII) Land used exclusively for cemeteries.

EXEMPTIONS CAUSE DISSATISFACTION.

These form rather a large number of exceptions, and it is exceedingly doubtful if many of them can be justified. It must be admitted that they have never given satisfaction. More especially the exemptions relating to Crown lands, both those occupied by Public Departments of the State and those unoccupied. In reference to the former (i.e. occupied Crown Lands) there has been a continuous succession of protests by Country Local Authorities against the exceptions, the allegation being that the Local Authorities referred to have to spend large sums in constructing and maintaining many miles of roads past and through them, from which they derive no revenue, while the land itself is a source of infestation to the surrounding lands of all kinds of noxious weeds and animal pests. With reference to the latter (i.e. Crown lands occupied by public Departments of the Commonwealth or State), repeated protests have in like manner been made, chiefly by town and City Local Authorities, that heavy expenditure has to be incurred upon streets, drains, etc., for valuable sites occupied by Government Departments which obtain the advantages of such expenditure but contribute nothing directly to the Local Authority revenues. In regard to both matters Deputations from Local Authorities concerned have from time to time waited upon the State Government and urged the removal of these exceptions. Up to the present, the plea that the Government gave a certain amount annually in endowment in various ways to Local Authorities has been held to excuse if not justify the exceptions. The feeling is growing, however, that the exception relating to town and city lands in occupation by the Crown is an unjustifiable and harmful departure from the main principles of the measure.

PRIMITIVE SOLITUDES IN TOWNS.

Other questionable exceptions are those relating to land held by Religious organisations, Benevolent societies, or for purposes of shows, sports, etc. While Religious and Benevolent bodies must and do command general respect and sympathy, and shows and sports undoubtedly serve useful purposes,

yet it may be reasonably contended that any assistance given toward these objects should be, and would be, better given in other ways. In Brisbane there are at least two notable instances of the result of such exceptions affording an object lesson—in one case of land held by a Religious Body much to be admired and commended for its charitable enterprise and spirit—to permit a large area many acres in extent, situated almost in the heart of South Brisbane, on a fine elevation overlooking the river, and splendidly adapted for pleasant and healthy residences, to be kept in a state of almost primitive solitude and vacancy.

In the other case it has caused to be devoted to races, cricket, and in the evening outdoor picture shows, an almost equally large area right in the midst of the best business portion of one of the most important suburbs, thus creating an immense vacancy surrounded by an extensive and hideous galvanised iron wall where there should have been fine business premises, and blocking numerous streets of residences behind from convenient access to the principal thoroughfare.

The next provision declares that a valuation of all rateable land shall be made in every area once at least in every three years, and that except as otherwise expressly provided, such valuation shall be the basis of all rates made by the Local Authority upon the land within the Area.

THE METHOD OF VALUATION.

Then follow the all important provisions for assessing the valuation on which the rates are to be based. Let me here state clearly what I previously only incidentally referred to, viz., that (in addition to the special exceptions dealt with) there are two large classes of land that are exempted from or rather come only in a modified form under the operation of the principle. These are, first, lands held under any tenure as Goldfields or Mineral Fields. In all such cases the surface is to be treated for rating purposes as freehold but with regard to any metal or minerals contained or supposed to be contained in the land. Secondly, lands elsewhere held under lease or license from the Crown—chiefly for Grazing purposes. In such cases the value is to be deemed equal to twenty times their annual rent. In neither of these cases of exceptions have the methods of assessing the valuations proved satisfactory, although it is recognised that the application to them of the main principles of the system is exceedingly difficult. While the various exceptions which have now been referred to are imperfections, they are but as spots upon the sun compared with the excellence of the general system of valuation which applies to all freehold land throughout the State. In regard to these, the rule to be adopted in making the valuation is as follows:—

“The value of any(such) rateable land shall be estimated at the fair average value of unimproved land of the same quality held in fee simple in the same neighborhood.”

This is the important unaltered original portion of the section which laid down in regard to freehold lands, in a simple manner, the principle which should

govern the method of valuation. It is a principle which has not been found defective, except in one peculiar instance—of an allotment at the terminus of, and upon which rested the abutment of an immense bridge—so specially situated that it was contended that there was no other land of the same quality in the same neighborhood. But there was little difficulty even in this case of arriving at a fairly approximate valuation. In it is embodied the simple yet important truth emphasised by Henry George, that "Land lies out of doors," and its valuation is thus easily ascertained not only by appraisement of itself, but by comparison with lands of like character similarly situated. So that as there are in modern societies and particularly in cities sales frequently being made of other land of like character and similar or closely similar situation, a correct appraisement of value can be obtained with the smallest margin of possible error.

EXEMPTING IMPROVEMENTS.

How different the simplicity and ease of making such a valuation compared with the enormous difficulties of correctly ascertaining the value of land and improvements combined, with an almost infinite diversity in the improvements—with buildings in the same street differing in character and cost, the small one story structure alongside the magnificent hotel or warehouse, or even where alike externally, differing in internal architecture and fittings; or in country districts, where even two portions of land may be alike the improvements respectively thereon may be different in every detail, not only in character but also in amount and quality! And how much fairer than basing the rates on annual rental received from properties. For annual rents received do not always indicate the value of the properties. An owner of vacant unimproved land may have received no rent whatever, yet the property may have a high value accruing partly or wholly it may be as a direct result from Municipal enterprise and expenditure—for example in the creation of a public park in close proximity, or an improved drainage or water or lighting service, or tramway system past the land. The owner of such vacant land would on the rental basis pay no rates whatever for any or all these valuable advantages—advantages which, by their mere presence, would have undoubtedly increased its market capital value. And so in a similar way but to a less extent with respect to land only partly improved for which low rents were received. While the owners of adequately improved and occupied land receiving a reasonable rental on their outlay would have to pay, not only for the cost of such advantages being made to or near his own property, but also for the drains, water pipes, tramway lines, etc., which passed by and enhanced his neighbour's land, and which had been made all the more expensive by the very necessity of being constructed part such vacant lands.

CRIPPLING A GREAT IRRIGATION SCHEME.

How individually inequitable and Municipally (as well as socially) foolish is a system of rating based on annual rents, or on the capitalization of an-

nual rents, may be illustrated by an example from the first Chaffey Bros. great Irrigation Settlement in Victoria, Australia. This Settlement commencing with the brightest promise of immense success became after a few years hopelessly insolvent. It was found on inquiry into its affairs that the principal reason for its failure was because numerous blocks of land in the respective Settlement had been sold to purchasers without insisting on conditions of actual occupation, while charges for water to the settlers had been made on the basis of quantities consumed. Thus numerous vacant blocks paid no water rates, while the comparatively few settlers who actually occupied their land had to bear the whole burden, not only for water, but also for the additional enormous expense of constructing main water channels past the vacant blocks as well as the extra cost of constructing and maintaining a large scheme of water conservation and supply, which, because of unfilled spaces was only partly utilized. To base rents on the annual rentals of properties, in Local Government areas, which means practically to impose rates on improved and occupied property only, and saddle them with an unduly heavy and unnecessary cost of Government is a system not unlike that which worked so much mischief and disaster in the Settlement to which I have alluded.

APPEALS AGAINST ASSESSMENTS.

The principle of rating, and the Rule relating to the mode of assessment of the unimproved Capital value of freehold land, having been laid down, there follows in the Queensland Act the appointment of Valuation Courts consisting of a Police Magistrate, or in his absence two or more Justices of the Peace, to which appeals may be made against any possible unfair assessment. Experience has disclosed a weakness in this provision, however fair or necessary it may appear in theory. For members of Valuation Courts are but human, and appeals strongly represented are often successful. It has been found therefore that it pays owners of land of great value to appeal against their assessments by which very frequently, or nearly always, some reduction is secured, whereas any reductions that could possibly be obtained by owners of small value properties would not repay the expense and trouble incurred in making the appeal. So that the provisions in this respect have had the effect of owners of highly valuable freehold properties appearing and securing reduced assessments, leaving owners of small valuable properties on their original assessments without appeal. This evil has also been aggravated by the practice of some local authorities in the past in making as high assessments as possible with low rates which resulted in numerous appeals by and reductions to richer owners, leaving the high assessments of the lower value properties unaltered, thus making the latter bear a still more unfair proportion of the rates. But both forms of the evil are now being met by numerous local authorities adopting the advice of a shrewd mayor at one of their annual conferences to make low assessments with high rates, so as to obviate appeals, and still secure an equal revenue while also apportioning the burden of rates more fairly.

There are numerous details in the Act—for example, a minimum assessment of £30 on even the lowest value property is fixed in order to make a practicable paying minimum—also, there are certain General and Special rates provided for, but the foregoing will be sufficient to show the general principle.

TWENTY-THREE YEARS IN OPERATION.

It is now twenty-three years since the adoption of this important measure. What have been the financial and economic results of its operation?

The adoption of the principle was scarcely noticed at the time outside of Parliament for the reasons that, not only was it passed into law without any public clamor, but also the new rating was very light and approximately only equal to the previous rates. The former rates were levied at 1s. in the £ of the annual rental value. It was estimated during the passing of the measure that one penny in the pound of the capital value of the land over the whole rateable area would raise revenue to a total amount equal to that previously obtained by the former rate of 1s. on the rental value. And the estimate proved nearly correct. But while the total revenue obtained was approximately the same, an unanticipated, significant, and vital difference was observed immediately after the first rating in another respect. It was seen that in addition to being a more simple system of levying rates there had also occurred an important change in the *incidence* of the rates. The proportion in which the rates were borne by different classes of rate payers had become *considerably altered*.

AN IMPORTANT CHANGE.

This was first noticed by the principal Metropolitan newspaper—the *Brisbane Courier*—which pointed out that under the new system those who owned highly valued city lands with a small value of improvements upon them paid more than before, while those who had highly valuable improvements with a comparatively smaller value of land under them paid less. Thus lack of enterprise in retaining small, out-of-date buildings and the continuance of rookeries and slums was penalised, whilst superior and valuable improvements were encouraged by the new method. Also that in the suburban districts where the improvements were mostly residential buildings having a greater value than the land under them, the rates on such occupied lands were less than under the previous method, while a numerous class of owners of vacant lands who previously escaped paying rates, those having no annual rents, were under the new system called upon to pay for benefits certainly conferred on capital values, and so sharing the burden of rates made them generally lighter on other ratepayers.

But though the first rates imposed were light the exigencies of increasing municipal services, consequent upon larger powers of government being bestowed by subsequent legislation upon local authorities of a growing community, combined also with later repeated reductions of government endow-

ment have since then caused a gradual increase of the rates, until at the present time the rates vary in different local authority areas from 3d. to 6d. (and even more) in the £ on capital values.

SOUTH BRISBANE RATES.

In the Municipality of South Brisbane where I reside the rates are (general) $3\frac{1}{2}$ d. in the £ and (Loan) $2\frac{3}{4}$ d., making a total of $6\frac{1}{4}$ d. in the £. In addition there is under a separate Water Board approximately 1d. in the £ on the same principle, making a total of $7\frac{1}{4}$ d. This is almost, if not absolutely the heaviest rated area in the State. What is the effect of this heavy rating? Under the old method of rating improvements the result must have been simply crushing, preventing all or nearly all enterprise in improvements. Under the new method these heavy rates, so far from being detrimental have had a most remarkably stimulating effect. South Brisbane from being the most languishing and backwark suburb of the principal city, has rapidly become the most enterprising and progressive both publicly and privately. The *Brisbane Courier* (the principal newspaper, and conservative in policy) of Oct. 11 last year (1913) published the authoritative statement by the Government Statistician that "no houses were empty in South Brisbane," while authoritative figures were earlier published showing that during the preceding year a larger number of houses had been built in South Brisbane than in any other locality in the State. And more recently I cut the following paragraph from a country newspaper as news sent by the Central Press Agency. "The South Side city, which began to show material signs of development only a few years ago, continues to make substantial progress. As a manufacturing centre as well as a residential quarter sites for factories are being eagerly sought after, the building activity promising this year to eclipse all previous records. Already the control of local authority has approved and passed 371 as against 380 during the whole of 1912. In August alone 67 new structures were completed, which constitutes a record for any single month."

HIGH LAND VALUE RATES BENEFICIAL.

The remarkable activity in improvements from private enterprise is thus undoubted, while with the large revenue derived the local authority of the district has been able to be equally enterprising in improving its thoroughfares, beautifying public parks and paying interest on loans for large wharves and other undertakings in the interest of the suburb it governs.

That the building activity in South Brisbane is not merely a coincidence with, but is really a consequence of the heavy rating, is shown by the noticeable difference in lesser activity in the adjoining local authority area (in which the rating is lighter) where in eastern portions both boundaries run close to each other. Here only a long straight road divides the areas of South and North Brisbane. The natural features and local advantages are in favor of the North Brisbane area at this locality. Yet the greater build-

ing activity on the South Brisbane side is most marked and even on the South Brisbane side of the dividing street is distinctly noticeable as compared with the other side where numerous vacant areas remain idle.

ACTIVITY IN BUILDING.

Generally the beneficent effect of the system in compelling owners of vacant land to build or sell wherever it has been in operation with any degree of strength is evident by the numerous notice boards erected recently on vacant lots announcing "This land for sale." On larger estates it has caused subdivision and sale, and in place of vacant areas have sprung up scores of new residences. One instance of this occurs to my mind as I write. Near my own home existed an area of about seven acres of beautiful elevated land with magnificent views of river and city surrounded by a closely built-upon suburb. For years it remained almost idle, occupied by one family only, while the tide of population swept around and beyond it into lower and in many cases unhealthy areas. But finally the increasing rates made sole occupancy of such an area too costly a luxury and the estate was subdivided into residential allotments and sold, with the result that almost instantaneously some fifty or more handsome new residences occupied the area previously monopolized by one family. But the beneficent result did not stop at the opportunity given and taken advantage of for many new homes. In addition there was given employment to carpenters and plumbers and other workers of various kinds, while also the local butcher, baker, and other tradesmen are doing a larger business from the new homes built upon the previously almost vacant place, and generally the whole neighborhood has become improved. The example here given may be multiplied in many directions.

LAND SPECULATION GREATLY REDUCED.

Another marked result is that the operation of the system has if not altogether killed yet enormously decreased what is known as land speculation. *The Queensland Trustees Quarterly*, a conservative monthly publication devoted to the interests of financial investments and house and estate business in Brisbane, recently made the statement that only ten (10) per cent. of the present purchasers of land purchased for speculation, the remaining 90 per cent. buying for the immediate purpose of building. How different from the former times of land sales before the system came into operation, when every week end was marked by huge auction sales of estates on the ground amidst champagne luncheons and the inspiring music of a brass band, when workers, business men and others, were induced to purchase far away allotments that were to become future populous suburbs and give their owners a hundred fold return in unearned increment (which often however did not come) to such an extent that it is said sufficient allotments were in the earlier land boom days sold within ten miles of Brisbane to accommo-

date a population equal to that of London! Now that vacant land has to pay its full share of rates while improvements are not rated it does not pay to purchase land to keep it idle, and as pointed out by the *Conservative Queensland Trustees Quarterly* most of the purchases are made for immediate use. Thus the money that formerly went into vacant land now goes into improvements and the building of homes. It is probably to these facts that according to the Commonwealth Statistician (the highest statistical authority in Australia), Mr. Knibbs, house rents are lower in Brisbane than in any other capital city of the Commonwealth. I quote the following from the *Brisbane Courier*.

HOUSE RENTS IN BRISBANE LOWER THAN IN ANY OTHER STATE CAPITAL.

According to a compilation by Mr. Knibbs (Commonwealth Statistician) rents in Brisbane are lower than in any other State capital. The averages for the last quarter are as follows: Sydney 24s. 11d., Melbourne 22s., Brisbane 17s. 3d., Adelaide 22s. 3d., Perth 18s. 7d., Hobart 17s. 8d. Weighted average 22s. 6d. As compared with third quarter of 1912 the average increase for twelve months ended Sept. 30th (1912) was 3.2 per cent. for the commonwealth, and 6.4 for Victoria. As previously pointed out the latter State Legislative Council recently rejected the new system of rating by a small majority, and the old system of rating is in force.

It may seem a far cry from the new principle of rating to the high cost of living, yet to those who have read the previous pages it will be seen that there is a close connection. For high rents have not only to come out of wages directly in payment for houses to live in, but also high rents of business premises have of necessity to be passed on to all the innumerable articles of food, clothes, and other commodities sold. Thus the operation of the new system of rating in Queensland must account to at least some extent for the fact stated by Mr. Knibbs in another official publication (*Bulletin of Wages and Prices for 1913*), but also the cost of living has advanced between the years 1900 and 1913, less in Queensland than in any other State.

Without further dwelling on the many advantages and beneficial results flowing from the operation of the new system of rating, I may simply state that public feeling in its favor is practically unanimous, and there is neither any agitation for nor the slightest prospect of any reversion to the former system.

AN INTERESTING LETTER.

That the adoption of the new system is rapidly spreading to and among other countries is proved by the following letter which coincidentally has just come to hand from a Brisbane friend, now travelling abroad, who himself has not been an enthusiastic supporter of the new system, having not given it thought till recently, but happening to know of my own interest in the principle. He writes from London on the 3d Dec., 1913, as follows:

"I cannot help writing to tell you that the land taxation has made a step forward in Canada by the imposition of a five per cent. duty on unearned increments in the Province of Alberta.

"I think I told you of the extraordinary extent which this taxation has reached in Germany and Switzerland, especially in those cases where the increment has been due to municipal or city enterprise. I recently stayed at an hotel in Switzerland where the hotelkeeper showed me a claim just received in connection with street improvements, widening, etc., opposite his premises. In this case nearly the whole of the cost of resumption and of the necessary work was distributed over the frontages in the immediate vicinity, and he was assessed at a sum equal to nearly a quarter of the total. Here in England, owing to Towns Planning and Improvements Acts, much of the same sort of thing is occurring. At first people objected very strongly, but they are becoming reconciled owing to the immense benefit accruing. I met a man in the Paris-Calais train who hailed from Alberta. He told me he paid 5 per cent. State tax on unearned increment and in addition paid 8 per cent. on values of properties to the municipality, but found his property increased as the result of improvements in spite of taxation, by \$180,000, and he welcomed high taxation on property provided that the administration is honest and intelligent, when the collective expenditure would be returned manifold."

(THE END)

SOME INTERESTING EVENTS IN THE HISTORY OF THE MANHATTAN SINGLE TAX CLUB. 1886-1903.

(Continued)

(For the Review.)

By BENJAMIN DOBLIN.

This series of memoranda is designed merely to furnish the ground work for a history of the Manhattan Single Tax Club. Those who can contribute anything to the data here collected should communicate with Mr. Doblin, or the SINGLE TAX REVIEW.
—THE EDITOR.

1901.

James R. Brown, President.

January 14th—Henry George, Jr. and James R. Brown appointed delegates to the Civic Federation Conference to meet at Cooper Union. Later on these delegates were withdrawn.

Club appoints a Committee to cooperate with the City Club on new election laws.

Club interrogates candidates on their attitude regarding taxation. Club takes action looking to the stopping of special favors in tax exemptions.