

WATCH YOUR PRINCIPLES WORK

RESULTS OF SITE-VALUE RATING

Our movement stands for a simple but far-reaching principle. The principle that what the individual produces by his own labor belongs to him and should be exempt from government rates and taxes. Instead public revenue should be drawn from charges on the site-values of property exclusive of any buildings, cultivation or other improvements made by the landholder.

Site-values are community-created values dependent on location and the extent of public utilities available to them. They are therefore the natural source upon which any level of Government is entitled to draw for the revenue needed to provide and maintain those utilities.

In making the community-created site-value the basic source for public revenue non-land owners would not be escaping their rightful share of government costs as many loosely think. Non-land owners are already paying their share to land-owners in the rents which they pay for their homes, shops, factories or farms. To the extent that other taxes are imposed on them these people are paying their share twice over.

Full application of this principle requires action by the Local, State and Federal Government Authorities in their respective fields.

Municipal Field

In the municipal field this principle has now been accepted over most of the Commonwealth. Up till 1887 all councils rated buildings and other improvements made by the owners for their revenue. Since that year the overwhelming majority have changed to rating site-values only and exempt improvements. Specifically there are 574 now rating site-value and only 348 still taxing improvements. Those under site-value cover 92 per cent of the whole municipalized area of the Continent.

Sometimes those who see the full merits of this principle have expressed disappointment that it has not received such ready acceptance and application to the state and federal fields as its success in local Government warrants.

The writer believes that the basic reason for this is that the effect of site-value rating in the municipal field has been underestimated. If those who believe in a principle are unaware of its accomplishments and hence fail to publicise them how can they wonder at tardiness in their extension by others not yet acquainted with the merits of that principle?

When site-value rating was initiated in other states municipal services (and rates) were small, hence the local field seemed minor. Since then the scale of local government operations and costs has expanded enormously. In Queensland where water, sewerage and special rates as well as general rates are on site-values the average rate in the pound for the year ended 30th June, 1953 was 18d.; New South Wales averaged 7d.; South Australian metropolitan municipalities 9d.; Victorian Councils 7½d.

These levels are no longer insignificant. They are far greater than the land tax rates in force or discussed in any state. They are acceptable to property owners because they are in lieu of higher amounts otherwise chargeable on the majority of property owners if buildings and other improvements were taxed.

At such levels we are entitled to expect visible results which would convince others of the soundness of extending the principle to new fields.

Substantial Benefits

There are very substantial benefits evident when we come to look. Some were shown in comparisons made by the Land Values Research Group on the development shown in the three States (Queensland, New South Wales, Western Australia) where site-value rating has operated almost state-wide for many years against Victoria, South Australia and Tasmania where most local councils rated buildings. They were printed in a booklet entitled "Public Charges on Land Values."

For States exempting improvements the development for key indicators studied was superior to states still taxing improvements. The superiority applied to each state in the "exempt" group over any state still taxing improvements. It followed the order of weight of their charges on land values.

This superiority can be followed within the State to individual municipalities at least to see the stimulation given to building construction. Conclusions based on isolated municipalities would be risky because there are often widely different stages and conditions between them. But over a sufficiently large sample, and a long enough time, clear-cut trends can be seen.

For the Victorian metropolitan councils rating site-value over a 20 year period 1922 to 1942 level of building construction of all kinds per acre was found to be more than twice that of the councils taxing buildings. For those changing to site-value it was found they generally doubled their previous level of building activity within two years of change.

Although exceptions can be expected, those changing since the war have followed this same pattern of doubling of level of building activity. It has been shown also in the rural centres Hamilton, Echuca, Warrnambool, Sale, South Barwon, Castlemaine.

As Victoria still has a majority of councils taxing buildings it is a better "guinea-pig" to study the differences in development than for States where all councils have the same common system. We will therefore deal with development of selected places in later issues.

But this development can be followed personally by anyone interested enough to observe the condition of a place before site-value rating, noting under-developed properties. Then watch to see how quickly they are developed following the change. Great personal satisfaction can be gained in thus seeing visible results of your principles in action.