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11 TOTHILL STREET,
— LONDON, S.W. 1. —

PUBLISHED BY THE UNITED COMMITTEE FOR THE TAXATION OF LAND VALUES
11 TOTHILL STREET, LONDON, S.W. 1; AND PRINTED BY HUDSON & SON,
EDMUND STREET, BIRMINGHAM, AND LONDON.

August, 1920.

LAND VALUE RATING AND THE ABOLITION OF RATES ON BUILDINGS AND IMPROVEMENTS

With a Reply to the Report of the Birmingham
City Treasurer on the Operation of Land Value Rating
in Sydney, New South Wales.

By
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PRICE ONE SHILLING.

PUBLISHED BY
The United Committee for the Taxation of Land Values,
11 Tothill Street, London, S.W. 1.
Telegrams: *Eulav, Vic., London.* Telephone: *Victoria 7323.*

3707

LAND VALUE RATING

By A. W. MADSEN, B.Sc.

I.—INTRODUCTION.

1. At a meeting of the Birmingham City Council on 2nd December, 1919, Councillor Norman Tiptaft moved and Councillor John Fryer seconded a Resolution:

That in view of the desirability of introducing a more equitable system of local rating, and the fact that an alternate system has been successfully in operation in Sydney, N.S.W., for a number of years, this Council calls upon the Government to give permissive facilities for the adoption of the system of rating obtainable in Sydney to such Municipalities in this country as desire them.

2. After discussion an amendment was carried, which resolved:—

That the further consideration of the matter be deferred until the Finance Committee has reported to the Council on the Sydney System of Rating.

3. The Report of the Finance Committee is dated 26th April and was issued on June 4th, 1920. It has been compiled and signed by Mr. Arthur Collins, the Birmingham City Treasurer, and contains as an Appendix a *summary* of information obtained from the Town Clerk of Sydney, respecting the system of rating in operation in that City.

4. The City Treasurer's Report is to be welcomed for the discussion it has promoted and will promote in Birmingham and elsewhere. It presents just those disputes and difficulties which, by the replies they call for, help considerably in stating the positive case. It is a distinct gain to have the critic thus engagingly come forward to guide and enliven the argument; and we acknowledge the service Mr. Collins has rendered. We have reprinted his Report, so that his and our views may be judged side by side on their merits.

5. It will be excusable to say that the Report suffers from many defects, and it will be our duty to expose them. One deserves particular mention at the outset. The Finance Committee was asked to consider the "Sydney System of Rating." The words have been curiously interpreted to mean the operation of the system (Land Value Rating) in the City of Sydney alone. No fault has been found with the system there; but the examination of the subject is much restricted by the failure to observe:—

(a) That Land Value Rating with the exemption of buildings and improvements was adopted by the forty suburban Municipalities of Sydney eight years before the City took the same step;

(b) That this system of rating has been practically universal since 1908 throughout New South Wales, of which State Sydney is the Capital; and

(c) That it is becoming more and more the accepted method of local taxation in all the British self-governing Dominions.

6. The silence on the last point is broken only to commit the worst of the errors in the Report—the attempt to force "Sydney Rating" into the picture of deplorable Municipal finance in some Western Canadian towns.

7. We have taken this opportunity, after stating our case and replying to the City Treasurer, to give an account of Land Value Rating in the Colonies and to amplify the fragmentary statement in the Report concerning the experience of Sydney, thereby providing testimony enough to the good results of the reform we advocate.

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II.—EXPLANATION OF THE RATING OF LAND VALUE

8. The Rating of Land Value means that local taxation should be levied, in lieu of existing rates, upon the value of land alone, payment being made by each person interested in the value of the land and in proportion to his interest.* Buildings and improvements, and all the results of industry, which to-day are assessed to pay the cost of public administration, would be free from local taxation.

9. "The Land Value Rate," which would be substituted for the existing rates, would be levied on the value of land, and on each piece of land, at the same amount per pound of its value, whether it is occupied or not. The use to which the land is being put, and the nature of the improvements on it, would not be taken into account. It follows that houses, shops, factories, machinery, and other improvements, would not be assessed to the Land Value rate; and corresponding to the amount of revenue obtained from the new rate, improvements of all kinds would enjoy relief from their present burdens.

Meaning of Land Value

10. Land Value means the value which attaches to any piece of land apart from any improvements that may exist upon the land. The elimination of the improvements proceeds on the assumption that the improvements made upon any given piece of land are non-existent and the value of the land is found in answer to the question:—What price would the fee-simple of that land realise in the open market, if sold (free from rates and taxes) by a willing seller in its natural state or as a vacant site, other lands and the improvements thereon being in their existing condition? The answer reveals a value due not to any work done or capital expended upon the land by any present or former owner or occupier, but to the opportunities which that land provides for business, trade, or habitation, compared with the opportunities afforded by other land available for similar purposes.

Separate Valuation

11. The proposal to levy a distinct rate on the value of land necessarily implies a Valuation separating the value of land from the value of improvements; and any Local Authority adopting the proposal would require to have a new column in its assessment roll, showing in respect of each hereditament the value of the land (calculated on a capital basis or an annual basis,† as may be preferred), apart from any improvements upon that land. But it does not follow that the work or the expense of ascertaining the separate value of land should or would devolve upon the Local Authority.

12. The separation has already been made for the whole Country under the provisions of the Finance (1909-1910) Act, 1910, and the Government Valuation Department has the record of what is called the "FULL SITE VALUE" of every piece of land in separate occupation, that "full site value" being equivalent to the selling value of the land alone, subject to these reservations:—

(a) There are certain flaws in the "full site value" assessment, more particularly affecting land used for agricultural purposes, where the exclusion of improvements from the Valuation has not been wholly carried out. Nor does "full site value"

*See Paragraphs 44-46, pages 10 and 11.

†See Footnote to Paragraph 37, page 9.

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include the value of minerals and mineral rights. But these flaws could be quickly remedied when the Valuation Department is given instructions to remedy them.

(b) The "full site value" assessment records what was the selling value of the land, apart from improvements, on the 30th April, 1909. Values have changed since then, and it would be necessary to alter the Valuation lists accordingly, a matter which need not cause serious delay if properly undertaken.

13. In this connection, Sir Edgar J. Harper, the Chief Valuer for the Inland Revenue Department, states in his evidence submitted to the Select Committee on the Land Value Duties (see Parliamentary Paper Cmd 556, 1920):—

The Valuation can afford information not merely of the values of individual properties, and of the distribution of value over various areas, but also of the constitution of each of the different values, with details of the way in which they are built up. Difficulties met with in making the Valuation, while increasing the time and cost involved in the work, have compelled the recording of a great quantity of detail in a thorough manner; and all that is now necessary is to keep the records up to date, and revise the values from time to time.

14. When the Valuation has been revised it would be necessary for the Valuation Department to provide each Local Authority with the particulars appertaining to all the properties in its district. It would be a simple matter then to add to the local Valuation roll the required additional column, wherein there would appear against every property the value of the land alone.

How Local Taxation is now Assessed

15. The basis of the local rating system in England and Wales is found in the definition of "net annual value" in Section 1 of the Parochial Assessments Act, 1836. The Valuation (Metropolis) Act, 1869 (Section 4), substitutes a new definition of rateable value for parishes within the Metropolis, but the substitution does not seem to create any new measure of value. According to the Parochial Assessments Act, 1836, rates are to be

made upon an estimate of the net annual value of the several hereditaments rated thereunto; that is to say of the rent at which the same might reasonably be expected to let from year to year, free of all usual tenant's rates and taxes, and tithe commutation rent charge, if any, and deducting therefrom the probable average cost of the repairs, insurance, and other expenses, if any, necessary to command such rent.

16. There is nothing in either the 1836 Act or in the 1869 Act (which govern the rating system in England and Wales) stating the important qualification, to which the courts have given effect, that property must be valued *as it exists* at the time the rate is made or, as it is frequently expressed, "*rebus sic stantibus*." But this was the rule before the 1836 Act was passed, and it continues to be the determining factor in assessing the "net annual value" or the "rateable value" of each property.

17. The law was more precise in Scotland and in Ireland. In Scotland the Lands Valuation Act, 1854 (Section 6), provides the basis of burghal and county rating by enacting that "in estimating the yearly value of lands and heritages, the same shall be taken to be the rent at which one year with another, such lands and heritages might in their actual state be reasonably expected to let from year to year." And Section 37 of the Poor Law (Scotland) Act of 1845, which copies the definition of *net annual value*

from the English Act of 1836 (except that "one year with another" is substituted for "from year to year" and "lands and heritages" for "hereditaments"), expressly inserts the words "*in their actual state*." It may be noted in passing that burghal and county rates in Scotland are assessed on the gross rental, and parochial rates on the gross rental less the cost of repairs, insurance, etc.

18. In Ireland also the definition of rateable value has been copied from the English Act with an addition, it being provided in Section 64 of the Poor Relief (Ireland) Act, 1838, that the assessment shall be the rent at which one year with another the rated properties "*might in their actual state* be reasonably expected to let from year to year," subject to cost of repairs, insurance, etc. Irish assessments are still based on the general Valuation of Ireland completed in 1866, except in certain districts (Belfast for example) and subject also to the haphazard inclusion of improvements since made. "Rateable value" as defined, applies to hereditaments other than "uncovered land," which was valued with reference to the average prices, during the years 1849-1851, of the several articles of agricultural produce.

19. In England and Wales, and in Ireland, occupiers are liable for local rates. In Scotland, some rates are levied on the occupier, some on the "owner" (as the term is understood in Scotland*) and some are divided between the occupier and the owner. The incidence of the rates, however, does not depend on which party actually makes payment. It depends also on the *nature of the assessment*, and that has already been described.

The Present System Condemned

20. It is apparent that what is rated is not the value of the opportunity, but the *value of the use made of it*. If land is used, it is rated; the better it is used, the higher it is rated. If it is not used, it is not rated, however valuable it may be. A landholder may not only reduce his contribution by under-using his land, but by leaving it unused, he can evade making any contribution whatever.† The more complete the neglect, the more complete is the immunity from the rates.

21. The effect of the present system is to put a premium on caprice, idleness, and incompetence, and a toll on industry. Enterprising occupiers have to pay high rates, which are all the higher because valuable land withheld from use contributes nothing on its value towards public expenditure, and because other valuable sites are occupied by obsolete and tumble-down buildings, and contribute little.

22. The fact that unused or partially used valuable land is rated far below its real value, is no doubt *one* of the causes which help to keep it out of use. But it is also true and an even more important consideration, that the crushing burdens imposed as soon as land is developed, and the premises are occupied, tend to delay and prevent building. Improvements of all kinds, especially houses, are made fewer and dearer than they would be if they were excluded from the assessment and were rate-free.

23. The purchase of land for Municipal housing schemes has brought to light innumerable instances of the difference between the value at which the land has

*Tenants of leases of more than 21 years, or, if the property be minerals, of more than 31 years, are deemed to be "owners."

†Except where, in Scotland, owners' rates are leviable (though not always levied) on unoccupied buildings; and where, in Ireland, the valuations are stereotyped.

been assessed for local taxation and the price paid to the landowners for it. It is not an uncommon thing for a Municipality which requires an area of land for an improvement, or for any public purpose, to be asked 100 times the annual rateable value, and more. Private transactions tell the same story. When land is wanted for building houses, for some new enterprise, or for increased production by manufacture or cultivation, it is too frequently the case that the rateable value at the time has no relation whatever to the price charged or obtained by the owner of the land.

24. The present Prime Minister, Mr. Lloyd George, speaking at Middlesborough on 8th November, 1913, aptly described the existing rating system in the following striking passage:—

The worst of the present system is that the moment a man neglects his property he escapes rates: the moment a man begins to improve his property he is fined as a ratepayer. A shopkeeper extends his premises. A great workshop is erected. The rate assessor comes down and says: "Information has been laid against you, sir, that you have extended your works, that you are providing more employment for hundreds of workmen. Are you guilty or not guilty?" He says: "I cannot deny it." Then he says: "I fine you £50 or £100 a year as long as you live, and don't do it again," and he goes on to a moorland near Leeds—not a building in sight, nor a plough on the land, no sign of one. Then he says: "This is all right, no improvements here," and he meets the proprietor and says: "What are you doing with this land?" The proprietor says: "I am holding it up until Leeds people want water; then I am going to charge them 800 years' purchase for disturbing my pheasants." The rate collector takes him by the hand and says: "It is such men as you who make the greatness of the country. We will only put you down 12s. an acre. We have got to put something down." He goes home feeling that he has done his duty. But somebody meets him in the street and says: "Have you heard that Mr. Brown has added a bathroom to his house?" He says: "I don't believe it. I will go there at once." He goes and says: "Is this true what I hear about you, that you have put on a new bathroom to your house?" He says: "I am sorry." Then he replies: "£2 added to your assessment, sir," and he walks home past a slum district and he says: "No baths here, anyway." He meets the proprietor and he just asks him the question. The proprietor re-assures him on the spot. He says: "No improvements about my property. Dilapidation and disrepair. They are not worth as much now as they were five years ago." He takes him by the hand and he says: "Well done, thou good and faithful servant. Go out and write quickly the assessment down by 15 per cent." *You think I am caricaturing. That is the rating system of England.*

III.—A REPLY TO OBJECTIONS

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Advantages of Rating Land Value

25. Since the value of land is due in no case to the exertion or expenditure of the occupier or owner of the land, it is a rateable subject in a very different sense from buildings and improvements. The value of land accompanies and reflects the industry and progress of the community as a whole, and therefore provides a source of revenue peculiarly suited to pay for the performance of public services. By its origin and nature the value of land is essentially a public fund, and the pre-eminent advantage of the Rating of Land Value is, that since it would impose no rate on improvements made or to be made on the land, it would not trench on industry or wages.

26. No more effective inducement is required to develop and improve the land in the best interests of the holder, and of the community as well, than the knowledge that the Land Value rate must be paid in any event, and that improvements will be correspondingly relieved. It is evident that in these circumstances there will be a healthy stimulus to the building and allied trades, and increased opportunity for all who engage in industry and commerce. In this reform lies the hope of tackling the housing problem with the prospect of success, and it opens the way to overcome the difficulties which every Municipality has to face to-day in its efforts to improve the amenity of the district it administers.

Need for a Remedy Admitted

27. Mr. Arthur Collins, the City Treasurer of Birmingham, at the conclusion of his Report, admits the case against the existing rating system by representing the protest of the shopkeeper who improves his property and the grievance of the manufacturer who re-builds his premises. The rates are increased as a result of this useful and desirable expenditure. This is condemnation enough, but what alternative is proposed? Mr. Collins says that if a remedy can be found (and the need for amendment "would find many supporters in this country"), it might be considered better to "find a palliative for anomalous cases and bear the ills of the present system rather than fly to the adoption of a system we know not of."

28. The ills of the present system are admitted. The need for a remedy is admitted, and yet we are to be satisfied with a *palliative* for what are called anomalous cases. Mr. Collins has cited no anomalous case. His shopkeeper and his manufacturer speak for every house dweller, every builder, every shopkeeper, every manufacturer and every enterprising citizen in the country. The remedy is clear. If the taxation of improvements is harmful in some cases, it is harmful in all. If it restricts production and employment, the rational thing is to *stop the taxation of improvements*. It remains to decide what shall be the source of Municipal revenue, and justice and expediency both give the answer in the *VALUE OF THE LAND* which arises from the enterprise of no individual, but from the presence and industry of the community as a whole.

REPLY TO OBJECTIONS

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The Separation of Land Value from Improvements

29. The object of separate Valuation is to ascertain what is the selling value of each piece of land in separate occupation apart from any improvements upon that land. The City Treasurer suggests that "no insuperable difficulty would arise in making such a valuation of land," followed by the afterthought that the main difficulty would be in "getting any two valuers to agree as to a capital value." He quotes Lord Farrer in support of the latter view—to which the immediate and sufficient reply is that Land Value is now separated from improvements in all the countries that we have named, where the rating of Land Value is in operation. In addition, the separation is made in all the larger cities in Canada and the United States, with the object of securing a more accurate Valuation of land and buildings taken together. The carrying out of separate Valuation has raised no difficulties in any of these countries, and we have the testimony of the Town Clerk of Sydney itself, who, in his statement to the Birmingham Finance Committee, points out that the number of contentious appeals against the Valuation is very small. The separation is simplicity itself compared with the task of valuing land and buildings together, especially where the discovery of "rateable value" means an imaginary search for a "hypothetical tenant." In such cases any two valuers may disagree.

The Cost of Separate Valuation

30. A criticism levelled at the Valuation which was made under the provisions of the Finance (1909-10) Act, 1910, is that it has been a very costly business. The figure of £5,000,000 as the expenditure incurred on the Valuation has been bandied about by those who are opposed to the idea of separating the values of land and improvements. To this criticism two things must be said.

31. Firstly, the Valuation has not cost £5,000,000, or anything like that sum. Sir Edgar Harper, the Chief Valuer, discussed the matter in the evidence he submitted to the Select Committee on the Land Value Duties. He pointed out that the work of valuation was obstructed and prolonged by special difficulties, not the least of which was the employment of the valuers on much business that had nothing to do with valuation. He distinguished between the expenditure incurred by his Department on its multifarious duties and *the cost of the original valuation*. He estimated that cost at £2,017,034, which was higher than it need have been, owing to the many extraneous obstacles the Department had to face; and yet it worked out at only 3s. 9½d. per hereditament, and only 8-6d. per acre.

32. Secondly, it must be observed that to make such a Valuation for the first time would necessarily involve a large initial expenditure. But the original record once made, the periodic revision would be a cheap and easy task, as it has been found to be in all the cities and communities where the values of land and improvements are separated. For instance, in New York City, where the value of land (apart from improvements) exceeds 1,040 million pounds, and where the city taxes on land and improvements exceed 40 million pounds, the annual inclusive cost of making the valuation is only £115,590—that is, less than 0·3 per cent of the revenue obtained.

An Estimate of the Land Value of Birmingham

33. The Report declares that "careful consideration has been given to the question of the unimproved capital value of the land in the City of Birmingham," and that value is estimated to be the sum of £30,000,000. It follows from that figure, that to obtain the Birmingham (1919-20) rate revenue of £2,667,087, a Land Value rate of 1s. 9d. in the £ would be required. The calculation is quite obvious; but the foundation upon which it is based is open to serious dispute.

34. This estimate of the Land Value of Birmingham is presented without any attempt to justify it. The pretext of "careful consideration" does not carry conviction. Unsupported by any accepted data, the estimate remains an assumption, and the inferences which the City Treasurer proceeds to draw from it are therefore worthless. The ratio of Land Value to composite value and the Land Value per head of population are both absurdly low. As to the first point, the "rateable value" of Birmingham is £5,069,669. The corresponding capital value on a 5 per cent basis is in round figures £100,000,000. But no one would suggest that this sum represents the selling value of the composite subject—land and improvements taken together. "Rateable value" omits too many elements of value to justify such a contention. The selling value of the composite subject must be very much greater than £100,000,000 in Birmingham, and the City Treasurer's estimate of Land Value (£30,000,000) is therefore very much less than 30 per cent of the real composite value. Secondly, the population of Birmingham being 910,000, the estimate works out at £33 per head. Comparison with other cities (see Appendix L) will not support these conclusions.

Disproved by Comparison with Facts

35. Particulars are given in Appendix I. of the official assessments in a number of the cities where the Land Value is not an estimate but is ascertained by practical valuation, in most cases once a year. Boston, U.S.A., for example, is a city with a population somewhat less than that of Birmingham. The assessed selling value of the land is not less than £155,500,000, or £194 per head. The ratio of Land Value to composite value is 56.6 per cent. In face of these figures can it be contended for a moment that the Land Value of Birmingham is only £30,000,000, equivalent to but £33 per head of the population; and that the ratio of Land Value to composite value is very much less than 30 per cent?

36. The assessed selling value (1917 valuation) of the land of Sydney City, a city one-ninth the size of Birmingham, is £31,130,368, equivalent to £293 per head of the population. The ratio of Land Value to composite value is 38 per cent. Birmingham in 1919-20 had a rate-revenue of £2 18s. per head of the population, whereas Sydney raised in 1917 a revenue equivalent to £4 6s. per head. It did so by a rate levied on the value of land alone amounting to only 3½d. in the £. These figures, and the figures for Boston and other cities, say in so many words that the estimate of the City Treasurer of Birmingham is not to be accepted.

37. This further remark must be made, and it is important. The figures given in Appendix represent the selling value of the land in the market, i.e., what the owner of the land can obtain for it if sold, subject to the payment of rates and taxes. The incidence of rates and taxes, so far as they fall upon and depress the selling value of land,

must be taken into consideration. In fact, the true capital value of land is the selling value *plus* the amount by which the rates and taxes decrease the selling value.*

Effects of the Change on Individual Properties

38. Mr. Collins, having estimated the value of Birmingham land at £30,000,000, and having levied an imaginary rate of 1s. 9d. in the £ of the capital value of land, proceeds to show the effect of such a rate on "various classes of property." He submits a Table comparing the present burden of rates with the burden as it would be under the new system. The result is to show an increase in some cases, and a decrease in others; but without any satisfactory explanation of the reason for the difference.

39. Given the sum of revenue desired, the amount that these properties "selected at random" (and every property) would contribute is determined of course by two factors: (1) the actual value of the land in each case, and (2) the value of all the land within the municipal boundaries. Each property would contribute to the revenue in the proportion which the actual value in each case bears to the aggregate value of all the land within the rating area. Moreover, when the change is made from rating composite value to rating Land Value alone, the difference in the payment in respect of any property will be determined by the ratio of its Land Value to its composite value as compared with the ratio of the aggregate Land Value (over the whole Municipality) to the aggregate composite value. These are fundamental principles which need no illustration; and any table of "random" or other cases, can only repeat them item by item down a column or more.

40. We therefore leave the figures for the individual properties as they are, and for what they are worth; but we have given good reason to dispute the denominator and the basis of the Table, the aggregate figure of £30,000,000. The Land Value of Birmingham, arguing if we may from the ascertained Land Value of cities of similar wealth and population, is more probably £130,000,000. Accept that figure instead, and the Land Value rate necessary to produce the revenue yielded by the rate of 12s. in the £ of "rateable value" would be, not 1s. 9d., but 5d. Since April, 1920, Birmingham rates have been increased to 17s., and (on the basis of our estimate) the revenue expected could be obtained by a rate of 7d. in the £ of capital Land Value.

41. Bearing the general argument in mind, comparisons should not have been made in respect of houses, picture palaces, golf links, shops, factories, and so on. What was wanted was an *economic* classification showing how the change would bear upon land according as it was (1) well used or fully developed, (2) under-developed or not put to an effective use, and (3) not used at all although capable of being used. One item in the Table shows "unused land, centre of city" valued at £7,875, which pays nothing in rates.

* A rigidly correct assessment would value land (apart from any improvements thereon) either at its selling price *plus* the capitalized amount of rates and taxes on Land Value; or it would record what may be termed the inclusive annual value—that is, it would add the annual rate (and any annual tax) levied on Land Value to the annual rent that would be paid for occupancy if the land was let on continuous tenure at the time and from the date of the valuation, the occupier having the same rights of user and the same rights over the improvements as a freeholder would possess. Thus an assessment would be obtained which would not be disturbed (except in so far as economic forces are at work) by any progressive increase in the revenue derived from the value of land. All the arguments are in favour of what we have called the inclusive annual value as the ultimate basis of assessment under the new system. Meanwhile, Land Value Rating should be begun on the simple basis of actual selling price, which has already stood the test of experience elsewhere. See further on this point, Mr. J. Dundas White's "Practical Suggestions for Land Value Taxation."

It is an isolated illustration of the acres of exempted or privileged valuable building sites which are either not used at all or are surrounded by advertisement hoardings. What is the aggregate area and selling value of such land in Birmingham, and what is the present aggregate contribution to the rates? What is the selling value of the 20,000 acres in Birmingham rated as "agricultural" upon which little more than £7,000 is paid to-day in local taxation?

Exempted and Special Properties

42. Under Land Value rating, the exemption of land used for religious, charitable and educational purposes would continue, subject to the continuous use of that land for such purpose. Our estimate of the Land Value of Birmingham, £130,000,000, is made with these exemptions in mind, just as the assessed value of Boston and the other cities in our Appendix do not include the sites of churches, schools, hospitals, etc. It will be observed that in Sydney, according to the statement of the Town Clerk, land is not rated which is used solely for charitable purposes or for public worship.

43. Gas, electric, water mains and telephones would not be assessed as such, but the monopoly rights attaching to them (if they were in private hands) would be valued and rated. Licenses and tithes are essentially an interest in Land Value and they would be assessed to the new rate. Such questions as compounding for the collection of rates, and differential rating in new areas incorporated into any Municipality, leave the principle undisturbed, that each person interested in the value of land would pay the Land Value rate in proportion to his interest.

Payment of the Land Value Rate—Lessors and Lessees.

44. A material point arises in regard to the allocation and incidence of the proposed Land Value rate, where two or more persons are interested in one piece of land, as in the case of leasehold tenure. The principle of Land Value rating is that the rate shall be levied in proportion to the value of the land, and that each person interested in the value of the land shall contribute in proportion to his interest. An occupying freeholder would pay the rate and no one else. In the case of a lease where the lessor is getting a rack rent for the property, he alone would be interested in the Land Value, and would pay the whole amount of the Land Value rate. But where the Land Value is partly enjoyed by the lessor, and partly by a lessee (who in this case would not be paying a rack rent), then the rate would be allocated by taking as the basis of the lessor's contribution either the annual rent that he receives for the land, or five per cent of the present value of his reversion to the Land Value at the end of the lease, whichever is the greater; and by taking the difference (if any) between that amount and five per cent of the Land Value, as the basis of the lessee's contribution.* The incidence of the existing rates, and any mutual arrangements that lessors, lessees, freeholders, or occupiers have made as to their payment, would not override this principle. So also in Scotland, superiors, feuars and leaseholders would contribute to the Land Value rate in proportion as they participated in the Land Value.

45. The cause of the lessee's interest in the Land Value, where he has an interest, is the increase in the value of the land since the lease was made. For the same reason,

* With acknowledgment to Mr. J. Dundas White, LL.D., who in his "Practical Suggestions Land Value Taxation" deals fully with the question of allocation of Land Value where the tenure of the land is complicated by leases, sub-leases, mortgages, rent charges and restrictions.

after under-leases have been granted, sub-lessees also acquire an interest in the Land Value, which they enjoy until their leases terminate. Owing to the growth in the value of the land, the ground rent being received by the ground-landlord may represent (and often does represent) only a small part of the Land Value; and if the lease has still many years to run, the present value of his reversion may be still less. In that event the ground-landlord would contribute a correspondingly small part of the Land Value rate, and the lessors and sub-lessees would be responsible for the balance in proportion to their respective interests in the Land Value.

46. The Local Rating Authority would collect the Land Value rate (the whole amount due against the land) in one payment; and where there are several interests in the value of the land, provision would be made whereby the payer could recover from these interests his due share of the rate.

Can the Land Value Rate be "shifted" on to the Tenant?

47. "Who really pays the existing rates, the landlord, or the tenant?" The City Treasurer puts this question, but his reply throws no light on the question. "Some contend," he declares, "that the tenant pays, some the landlord, and others say that under various conditions both pay the rates." It would have been helpful if the City Treasurer had told us what his own contentions were. He goes on, "If all local taxation were levied on land, it may be argued that the rate or tax would be shifted on to the tenant, more or less, and the actual incidence might, on the whole, remain unaltered." Who advances this argument? If it is true that a rate or tax on Land Value can be passed on by the owner to the occupier, why the bitter landlord opposition to the proposal? It is equivalent to saying (what is manifestly absurd) that the Land Value rate would increase the rent of the land, and would enable landowners to sell at higher prices than they can get now.

48. It is a commonplace in this discussion that the Land Value rate, in proportion to its amount, would simply be the share of the community in the rent of land—the rent of any land always being determined by that which would be given for it as compared with what would be given for other land, from the most productive and most desirable land down to the least productive and least desirable. And the rent of land cannot be more or less according as it is enjoyed wholly by the landowner or partly by the landowner or wholly by the community. But rent can be and is artificially increased by the withholding of land from use, which is the present condition of things. It is obvious that the Land Value rate, falling as it would on all land according to its value whether it is used or not, would induce owners of idle land to allow it to be used, and would bring down rents and prices by increasing the available supply of land.

Alleged Difficulty of Working the Present and Proposed Systems Concurrently

49. It is not easy to follow the suggestion made, that the rating of Land Value (if it were adopted in part as a first instalment of the change) and the present rating system could not work concurrently. No reason is given for this opinion except to suggest that the two systems are inconsistent. Of course the two systems are inconsistent; but it does not follow that it would be inconvenient to levy a rate upon the selling value of land while at the same time and for a transitory period a rate was being imposed upon the present "rateable value." As we have pointed out, it is only necessary that there should be a separate column in the

Valuation roll, stating what is the selling value of the land. The new rate would be levied on that basis, and the old rates (so long as they continued) would be levied on the "rateable value," which is quite a distinct conception.

50. The statement from Sydney, which is incorporated in the Finance Committee's Report, is silent on this alleged difficulty of working the two systems concurrently. The difficulty is not known in Sydney, nor has it arisen in New Zealand, where in some towns Land Value rating has not yet been carried to the point of the entire exemption of improvements and where the two bases of rating are in operation side by side. These two bases are still working also in Sydney, the whole of the Municipal revenue being secured from Land Value rating, while the water and sewerage rates (levied by Boards which are independent of the Municipality) continue to be based on the "annual value" of land and buildings. The suggested difficulty is purely imaginary, and it offers no objection to any proposal for the gradual exemption of improvements by the gradual adoption of Land Value rating.

Action by the Cardiff City Council

51. The City Treasurer's Report refers to the Resolution adopted by the Cardiff City Council on 29th October, 1919, which was as follows:—

That in the opinion of this Council the first step towards a reform of the system of rating is that rates should be levied on land on an assessment based on its full capital value irrespective of the use to which the land is being put and as to whether it is in use or not; and that the Town Clerk be instructed to enter in communication with county and municipal authorities throughout the country with a view to joint action to secure the necessary amendments to the present law to enable this resolution to be carried into effect.

52. This clear declaration in favour of Land Value rating has been endorsed by the City or Borough Councils of Battersea, Bermondsey, Bradford, Camberwell, Cleethorpes, Coventry, Crewe, Darlington, Deptford, Dover, Ealing, East Ham, Glyncoirwg, Grimsby, Hull, Islington, Leigh, Manchester, Merthyr, Poplar, St. Pancras, Swansea, Warrington, West Bromwich, Woolwich and Worcester; and by the County Councils of Glamorgan, the Isle of Wight, and Pembroke.

53. The action of the Cardiff City Council and the resolutions in support passed by the other Local Authorities named, are a post-war development of the Municipal agitation for the rating of Land Value. Before the War, similar resolutions had been passed by several hundred local governing authorities. On 26th February, 1906, a deputation representing 118 Municipal bodies presented to the Government a petition, signed in behalf of 518 Local Rating Authorities, which urged legislation providing for the separate assessment and rating of Land Value.

Taxation in American Cities

54. In its reference to Boston, the Report declares that "American towns seem to rely upon taxes upon specific subjects not separately taxable in England for local purposes." It is amazing that the City Treasurer of Birmingham and his officials should show such ignorance of local taxation systems in other countries. By far the larger part of the revenues of American cities and towns is obtained by taxes (in English parlance, local rates) assessed against fixed property according to its selling value. Local taxation in America and Canada is levied on land and improvements, so that although buildings are taxed, land is also taxed on its value whether it is used or not. In Canada many cities tax buildings at a less percentage of their value than land; many exempt improvements altogether.

The exemption of improvements is also being carried out in the American cities of Pittsburgh and Scranton.

55. In Boston the total revenue in 1919 was £7,394,900, to which the assessment of land and buildings contributed £6,445,000, or 90 per cent of the total sum. Very much the same proportion holds good of all American cities. In Boston the tax rate was equivalent to 5·66d. in the £ of selling value, a tax which is paid on all land whether used or not. In America, in Canada and in all the British self-governing Colonies, no such injustice can arise as we find in our own towns, where valuable vacant land is absolutely free from any contribution to local taxation.

Municipal Finance in Western Canada

56. The two paragraphs which the City Treasurer devotes to the financial position of Edmonton (and inferentially of Western Canadian towns generally) mention "confidential" particulars received from Canada which illustrate the "difficulties" that arose in operating the rating of Land Value, "as a consequence of unforeseen events such as the war." If the truth about Municipal finance can be told only in confidence, those who impart the knowledge have something to hide from the public of which they are ashamed. They may couple "unforeseen" financial difficulties with the established means of raising revenues; but when we strip the sentence of its artifice, it is apparent that the cause of such difficulties as existed was not the taxation system, but certain "unforeseen events"; and these events were not only the war, but were "*such as the war*." Other conditions, in fact, were responsible. The explanation lies in the reference to "bond-holders" and to "contractual obligations"—in the excessive Municipal borrowing.

57. Recent Municipal finance in Western Canada is but one chapter in the history of extravagant land speculation that began in 1910 and came to a climax in 1914, the certain collapse being precipitated by the war. There had been a rapid growth of population and the construction of thousands of miles of railway. Land Values were "boomed" until they were on a purely fictitious basis. That inflation had its inevitable results. Sir James Aitken, the Lieutenant-Governor of Manitoba declared in Winnipeg on 18th December, 1917, that there were 100,000,000 acres of good arable land in Canada in private ownership, of which only one-third was being used for productive purposes. In Western Canada, according to the report published in 1918, by Mr. Thomas Adams, Town Planning Adviser of the Canadian Commission of Conservation, there were 30,000,000 acres of idle land, a great part contiguous to the railways, and of good quality. All this land was held out of use for a further rise in price awaiting the increased population which did not come. Meanwhile the towns and cities indulged in the gamble in urban land and the fever overcame responsible Town Councils as well as private operators in the real estate market. A tremendous burden of debt was assumed by nearly all the Municipalities in the constant push to raise values still higher by spending public money on costly and prodigal undertakings, which in turn helped to advertise the vacant lots of the land speculators.

58. The land boom in Edmonton was aggravated by the selection of that city as the capital of the then new Province of Alberta. The development of the city was greatly overdone as a result of expectations now seen to be quite unreasonable. The City Treasurer of Birmingham presents a page of Edmonton tax receipts, but we find in them no hint of the truth that much of the revenue it is necessary to raise is earmarked for interest on much unwise and unnecessary expenditure. The Municipality has to bear the brunt of its own carelessness in thus falling into the hands of "bond-holders." According

to the Canada Year Book of 1918, its total liabilities are £6,000,000. Here is a city of 55 to 60 thousand, incorporated as recently as 1892, which in less than 30 years has incurred "contractual obligations" of more than £100 per head of the population, and the Birmingham City Council would be persuaded that this debt, for which there is no excuse, has some explanation in the rating of Land Value!

The Cause of "Tax Arrears"

59. The "tax arrears" are obligations due not by people who are making use of the land and are building their homes and factories as permanent residents. Such people have paid their taxes all along. The "arrears" represent the balance of payments due by absentee speculators, who never intended to dwell in the city, but bought land, subdivided it, and held vacant lots for a rise in value. Unfortunately, the state and the policy of Municipal finance in some parts of Western Canada have been such that Town Councils were obliged to maintain fictitious assessments, on the basis of which further "arrears" continued to accumulate. These Municipalities were heavily in debt and had to keep up appearances with their creditors. Therefore they hesitated to execute the law which is in their own hands, namely, to enforce tax sales and to realise upon such vacant lands as were being surrendered in payment of taxes. To do that would cause a further general reduction in land prices, revealing the disastrous truth that the "assets" set against loans and bank overdrafts had no real existence.*

60. The Municipalities did not deal courageously enough with the defaulters; but the policy of Land Value rating, partially applied as it was, fulfilled its purpose. The land speculation was penalized, checked and disrupted, while all the time those who wished to use and improve land were encouraged to do so in the exemption of their buildings and improvements from local taxation. Contrast the British system of rating. If that had been in operation, the incidence of taxation would have been the precise opposite. Buildings, houses, factories and machinery would have been taxed. Idle land, however valuable, would have been exempt. There would have been no "arrears" of taxes on idle land, because there would have been no levies in the first instance. The land speculation would have done infinitely more harm than it did.

61. Examination of the facts proves how unhappy has been the search for something that will pass for criticism of Land Value rating. How easy to assert that the failure to collect the whole of the rate-revenue was due to the nature of the rate; how easy to disguise the facts of the case and to withhold "confidential" information which bears upon a mountain of debt contracted in a period of wild extravagance! The obvious reply to all this trifling with the subject is to remind Mr. Collins of his thesis, which was the system of rating in Sydney and to ask why, if unpaid rates are a necessary feature of Land Value rating, *there are no tax arrears in Sydney?* Why, as the Lord Mayor of Sydney has explained, was there a *surplus*? Why are there no tax arrears in Brisbane, in any New South Wales Municipality, in Port Adelaide, in Wellington, in Christchurch, in Johannesburg, or in the hundred and one towns and cities in the Dominions where Municipal rate-revenue is derived from assessments on the value of land? Why

* The story of this unfortunate financial position is told very fully with regard to Saskatchewan in the Report (1917) on Taxation in the Urban Municipalities, submitted to the Government of the Province of Saskatchewan by Dr. Robert Murray Haig, Assistant Professor of Economics at the Columbia University, New York.

is there no difficulty—no greater difficulty than before—in collecting the revenues in such cities as Pittsburg and Scranton, Pretoria, or Winnipeg, where improvements are partly exempted and land continues to be rated at its full value?

The Sufficiency of Land Value

62. The contentions urged in respect of the Canadian "tax arrears" are an apparent attempt to say something else, *viz.*, that the value of land is not sufficient to meet the public revenue required for the payment of public services. The universal reply from all the Dominions and from all towns and districts, where the value of the land has been ascertained by practical assessment, is that the value of the land is more than sufficient. That is the declaration of the Town Clerk of Sydney himself. Land Value is sufficient also in Western Canada for the payment of public services; but it has never been suggested that a community in its folly may not quite possibly mortgage itself far beyond the value of its land—which is just what some of these Western Canadian towns have done.

"It is Claimed"

63. The Report has not been able to deny that the present system of rating in this country must be reformed, but it offers no suggestion for a remedy. Its criticism of Land Value Rating is content to say that this or that "may be argued"; and it relies on the flimsy evidence of what "some state," whose authority is never cited. So of Sydney "it is claimed" that high rentals of houses are due "more or less" to the new system of rating; and "it is urged" that injury is done to business by the erection of modern structures in place of old buildings. Neither fact nor reason is given in support of the strange circumstance of development stopped in residential districts and overdone in the business area, because rates are levied on the value of land; nor are we told who makes such idle and absurd assertions. We have already met them in argument and, like Mr. Collins, we leave public opinion to judge the truth. We appeal also to the declarations of those who do speak with authority in Sydney and whom we quote elsewhere—the ninety Mayors and Aldermen of the suburban Municipalities and the Lord Mayor himself. *Sydney has established a principle which should be followed by all the cities in the Empire. The new system has the emphatic support of the bulk of the people. And no wonder, when the facts reveal an increase within ten years of fifty-four millions pounds in the value of improvements, of which thirty-two millions have been made in the suburbs. These are the beneficent results of a reform which the Town Clerk of Sydney asserts has come to stay.*

IV.—THE EXAMPLE OF THE DOMINIONS

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64. We give the following account of the adoption of Land Value Rating in Australia, New Zealand, South Africa and Canada. Testimony to the success and the benefits of the reform is given in adequate measure in the subsequent section dealing with the experience of Sydney, and all the reports we have received from other towns and districts where Land Value is rated, point to their experience being in all respects the same.

New South Wales

65. Legislation was passed in 1905 (consolidated in the Local Government Act of 1906) in terms of which the State Land Tax of 1*d.* in the £ became a local rate of the same amount, and powers were given to Local Authorities to derive the balance of their revenue by rating either the value of land or the composite value of land and buildings (at selling price) as they might decide. Municipal and Shire assessments based on the "annual value" of land and improvements were abolished; and the only rates now levied on that basis are those charged by the autonomous Metropolitan and Hunter District Water Supply and Sewerage Boards. This legislation applied to all New South Wales Local Authorities, including the 40 Sydney Municipalities, with the exception of the City of Sydney itself; and within a couple of years after it was passed the option was given effect to, with the result that practically everywhere excepting in the City of Sydney improvements ceased to be assessed to local rates. An Act applying to the City of Sydney was passed in 1908, by which in 1909 the City took over the collection of the penny State Land Tax in its area, and that became a Land Value rate of 1*d.* in the £ of capital value. The rest of its rate-revenue was raised by a rate of 1*s.* 9*d.* in the £ of "annual value." In 1913 the 1*d.* rate was increased to 1½*d.*, the "annual value" rate remaining as before. Nothing further could be done in the direction of rating Land Value, owing to the local taxation privileges attaching to Government property within the City, until a further Act was passed in 1916 to remove those privileges. In that year then the City Council was able to abolish the rating of improvements, and did so by abandoning the "annual value" assessment, at the same time raising the Land Value rate from 1½*d.* to 4*d.* in the £. In 1917 and 1918 the rate was reduced to 3½*d.* in the £. In 1919 it was increased to 4½*d.*, realising a revenue of £550,000, equivalent (the population being 106,000) to more than £5 per head. While this was the course of the development in the City of Sydney, the point should not be overlooked that in the 40 suburban Municipalities comprising the outer Sydney metropolitan area, the system of rating Land Value had been in full operation since 1908, as it had been in New South Wales generally. The Statistical Register of New South Wales for 1917-18 shows that of £2,871,000 collected in Municipal and Shire rates throughout the State, only £34,240 came from rates levied on improvements. The rest was obtained from rates levied on the value of land alone.

Other Australian States

66. The exemption of improvements was first partially recognised in QUEENSLAND in 1879, and the principle was gradually extended until, in 1902, the Local Authorities Act provided that all rates should be on Land Value, with improvements totally exempt. There is an exception, however, in respect of the cleaning or sanitary service (removal of garbage, etc.) which is charged according to scale. In 1918, the aggregate rate-revenue of the Local Authorities in Queensland was £1,032,572, of which £839,742 came from Land Value rates and the balance was the cost of the sanitary service. Figures for Brisbane are given in Appendix I.

EXAMPLE OF THE DOMINIONS

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67. In SOUTH AUSTRALIA, the Land Values Assessment Act of 1893 gave power to Municipalities to rate Land Value only, but its provisions restrict the facilities for taking a poll of the ratepayers. Nevertheless, the Act has been adopted by thirteen Municipalities, including Port Adelaide, and has been confirmed on the two occasions on which attempts were made to revert to the old system.

68. In WESTERN AUSTRALIA, the Roads Act of 1902 gave Road Boards the option of rating on the capital unimproved value of land (except mining leases) and 44 districts have availed themselves of this power. In the remaining 73 areas, rates in nearly if not all cases are levied partly on unimproved land value and partly on "annual value."

69. In VICTORIA, the Rating on Unimproved Values Act was passed in 1914, giving Municipalities the option to levy all rates on the value of land alone. It provided that the State Valuation of land was to be used as the basis of assessment, but as that remained in abeyance during the war and has since made little progress, the Municipalities could not take advantage of the Rating Act. Between 60 and 70 Councils had been pressing for the power to make their own Valuations, a demand which was endorsed four years in succession (1916 to 1919) by the Annual Municipal Conference. At last, in January, 1920, an Act was passed enabling such Valuations to be made, so that Land Value rating may now be adopted without waiting for the completion of the State Valuation.

New Zealand

70. The Rating on Unimproved Value Act was passed in 1896 and gave power to Local Authorities to levy their general rate on Land Value only, and to allow improvements to be correspondingly exempted. In 1911, a further act was passed which enabled Local Authorities which had adopted the provisions of the 1896 Act to levy every rate, including the general rate, on Land Value alone; and it empowered other Local Authorities, which were adopting the new system for the first time, to abolish straight away all rates on improvements and raise all the revenue from the value of land. The number of areas imposing their rates on Land Value steadily increases from year to year. The latest particulars (Year Book, 1919), show that 61 Boroughs, 38 Counties and 15 Town Districts have taken advantage of the provisions of either the 1896 or the 1911 Act. The chief towns to adopt the system are Wellington (the capital), Christchurch, Invercargill, Palmerston and Napier. The assessment and rate-revenue figures for Wellington and Christchurch are given in Appendix I.

South Africa

71. In the TRANSVAAL, since 1916, both Municipalities and Village Councils have been obliged to rate improvements at least 1*d.* less than Land Value. They further have the power to abolish rates on improvements entirely,* and most of the Town and Village Councils have already done so, including the great Municipality of Johannesburg, where the Municipal rate-revenue is obtained by a Land Value rate of 7*d.* in the £ of capital value. The details of the Johannesburg assessments are given in Appendix I.

*Excepting rates on improvements used for residential purposes, or for purposes not incidental to mining operations, on land held under a mining license. Mines themselves are exempt from all Municipal rates.

72. In the CAPE PROVINCE, as a result of the demands repeatedly made at the Municipal Annual Conferences, Acts were passed in 1917 and 1918, empowering Local Authorities to discriminate between Land Value and improvements, so as to tax the former at a higher rate, or exclude the latter entirely. Two Town Councils (East London and Cambridge) have already taken advantage of this option.

73. The reform is making such rapid progress in South Africa that any report is subject to extension as soon as made. In NATAL and the ORANGE FREE STATE, Bills are being promoted by many Municipalities, led by Durban and Bloemfontein, for the same powers as the Local Authorities possess in the Transvaal and the Cape Province.

Canada

74. In MANITOBA, Municipal revenues are obtained mainly by rates levied on Land Value. In the rural Municipalities for the past twenty years or more, all revenue for local purposes has come from that source alone. In the towns and cities of the Province there is usually a tax on improvements and in some cases a business and licence tax. Land Value, however, is the chief source of revenue. In Winnipeg (the assessment figures of which are given in our Appendix) land is assessed at its full value and improvements at two-thirds value. The cost of the new water supply of Winnipeg, approximately £3,350,000, is being met by a special rate on the value of land alone.

75. In SASKATCHEWAN and ALBERTA the position as regards Municipalities is practically the same as in Manitoba. In rural Municipalities improvements are not taxed. In the towns, cities and villages some revenue is derived from improvement taxes; the greater part is obtained by Land Value rating. In BRITISH COLUMBIA, Municipalities have been given local option in taxation. Under this provision rural Municipalities have generally abandoned the taxation of improvements. In towns and cities the general tendency has been to reduce taxation of improvements. In some cases as low as 10 per cent of assessed value only is subject to taxation and in no case are improvements taxed at more than 50 per cent of their value.

76. In ONTARIO, the Municipal Tax Exemption Act was passed in June, 1920. The measure was promoted by the Government, and it allows Local Authorities to rate Land Value and reduce the assessment of improvements by not less than 10 per cent, and not more than 25 per cent per annum. Thus within not more than ten and not less than four years, any Local Authority adopting the Act may raise its whole revenue by rates on the value of land. The agitation for the reform became a live issue in 1909. Bills were introduced in the legislature in 1910, 1912 and 1914. In 1911, the Convention of the Union of Municipalities adopted a resolution, a petition in favour of which was signed by 367 Municipalities, asking for power to discriminate between the different classes of property by placing a lower rate on buildings than on Land Value, or by assessing buildings and improvements at a lower proportion of their value than Land Value. In January, 1913, the City Council of Toronto referred the question to the electorate and the vote decided by 25,773 to 6,440 in favour of applying for legislation to assess buildings, business tax and incomes on a lower basis than land. In February, 1920, the City Council of Toronto again declared by resolution in favour of the reform. The Act now passed enables every city, town, township and village in Ontario by gradual stages to levy all rates on the value of land alone.

V.—THE EXPERIENCE OF SYDNEY, N.S.W.

77. It is unfortunate that the City Treasurer has not given more than a *summary* of the official information obtained from the Town Clerk of Sydney in regard to Land Value rating and the freedom of improvements from Municipal taxation. The statement is most incomplete, not only in the facts it gives, but also in the particulars it lacks as to the development of the system, its fiscal effects and its statistical results.

Partizan Contentions

78. The Town Clerk of Sydney remarks that the adoption of Land Value rating "was the subject of an extended battle" between the supporters of the proposal and those who desired to continue rating improvements. In view of such an agitation and its remaining echoes, it is quite possible that "it is claimed" that the incidence of the new rates has caused skyscrapers to be built; that "it is considered" that the rates are now unfairly distributed; and that the only form of taxation which "appears to be" applicable in certain cases is a rate on improvements. The Town Clerk of Sydney does not say who makes these claims, or holds such views, but it is not difficult to judge their source. Claims may be met by counter claims without questioning the good faith of the spokesman on either side. We appeal to certain indisputable facts, to the declaration of Mayors and Aldermen of the Metropolitan Municipalities which comprise all Sydney outside the City, to the commendation of the Lord Mayor of Sydney, and finally to an eloquent certificate from the Town Clerk himself.

The Growth of Sydney

79. The suggestion of over-building, which the "skyscrapers" contention implies, may be tested by the movement of population in the Sydney Municipality, City and Suburbs included. The figures should be read in the light of the facts that (except for water and sewerage) in the 40 suburbs Land Value alone has been rated since 1908; and in the City, Land Value has been rated 1*d.* in the £ since 1909, 1½*d.* since 1913, and exclusively since 1916.

80. The total area of the City of Sydney and its suburban Municipalities is 95,259 acres. This area may be divided into two zones; one comprising the "City" and the nine Municipalities immediately surrounding it; and the other comprising the remaining 31 Municipalities. These may be called respectively the "inner zone" and the "outer zone," and a comparison of population in 1908 and in 1917, compiled from information given in the official Statistical Register of New South Wales, shows the following results:—

	Area Acres	Population	
		1908	1917
Inner Zone ...	8,703	301,930	306,200
Outer Zone ...	86,556	290,170	471,100
	95,259	592,100	777,300

81. It will be seen that in the inner zone the increase in population in nine years has only been 4,270, or about 1½ per cent. In the outer zone, comprising 86,556 acres, the increase has been 180,930, or more than 62 per cent. No clearer evidence than this is required to show that the effect of rating Land Value is to bring land into use and enable the population to spread itself out. Any contention that "skyscrapers" have been erected in the heart of the City and have been the effect of rating Land Value has to meet the

obvious fact that expansion, and not congestion, has followed the inception of the policy in the suburban Municipalities. And it must further take cognizance of the building bye-laws and Municipal regulations which are in practice in every well-governed community to guard the interests of neighbouring occupiers and preserve the amenity of the district. It is not argued that Land Value rating means the abandonment of these Municipal regulations.

82. A comparison of the assessments of Sydney in 1908 with those of 1917 reveals the following striking figures :—

	Land Value		Value of Improvements	
	1908	1917	1908	1917
City of Sydney ...	£20,207,812	£31,130,568	£28,852,788	£50,845,892
Suburbs ...	23,799,856	36,808,555	32,641,972	64,684,807
	£44,007,668	£67,939,123	£61,494,760	£115,530,699

83. Thus the value of improvements in the City of Sydney has increased in ten years by £22,000,000, and in the Suburbs of Sydney by more than £32,000,000.

Mayors and Aldermen bear Witness

84. These statistics tell their own story, which is fully supported by the following official statement signed in 1912 by 90 Mayors and Aldermen of the Sydney suburban Municipalities, after four years' experience had been gained in the working of the new system :—

In response to a request for an expression of opinion, we wish to say that the system of rating on unimproved values which came into force under the provisions of the Local Government Act of 1906 is working remarkably well.

It has reduced the rates of a very large proportion of the ratepayers, although we are raising a larger revenue. It has stimulated the building trade, employment is more constant, and business generally is on a much sounder footing. It has induced a number of ratepayers to build or dispose of land which they are not willing or able to use themselves, and has promoted the sub-division of land hitherto withheld from use for speculative purposes. It is fair to all ratepayers, as it simply requires from each his due proportion of the rates. It specially benefits those ratepayers whose use of land is most effective and creditable to the municipality, while it had put effective pressure upon a number of owners of idle or partly used land to change their tactics.

As far as we can judge, the new system has the emphatic support of the bulk of the people. There is no public demand for a change. It is but fair to admit that rating on unimproved values is working as well as its advocates claimed that it would before it was adopted. Our experience is so satisfactory that we have no hesitation in saying that the new system could be adopted with great advantage in the City.

Declarations by the Lord Mayor

85. Sydney City decided on 13th April, 1916, to abolish all its Municipal rates on improvements and to raise all its revenue from a Land Value rate. In moving the adoption of the new system, the then Lord Mayor, Alderman R. D. Meagher, said :—

Since the inauguration of the Council in 1843 the rates had always been raised either upon the rental or improved values alone, or upon the rental and unimproved values combined, and now for the first time they had adopted the up-to-date and scientific system, and he was very proud of having brought this into operation during his term. Sydney was the first of all cities in the Empire having the status of Lord Mayoralty to adopt the principle and he hoped the precedent established would be followed by all.

86. In 1917, reviewing the operation of Land Value Rating during the preceding year, Alderman Meagher said :—

Enterprises that have beautified the City have been relieved of taxation in a great number of instances; whilst land-jobbers with old buildings on valuable sites have been penalized. When I proposed the change, it was prophesied that I was going to ruin the city and that I was going to end up with a deficit. Instead of that it is safe to say that I will have an actual cash surplus of over £20,000.

A Tribute by the Town Clerk

87. We end our survey of the whole matter by quoting the communication that was sent in 1919 to the Manufacturers' and Merchants' Taxation League, Newark, New Jersey, U.S.A.

The Town Clerk of Sydney reports :—

"The population of the City is 106,000, and of the metropolitan area 764,000. The assessed value of the land in the City is £31,831,608. The tax rate is 4½d. in the £ of capital value, but this does not include the water and sewer rate.

"Improvements are not taxed. Taxes on improvements were abolished in 1916. There is no difficulty in getting sufficient revenue from a rate on land values only.

"Land Value taxation and exemption of improvements has given general satisfaction. Some agitation developed in favour of reverting to taxing improvements, but subsided owing to lack of strong support. The system should tend to encourage more and better housing and lower rents, as the incidence of the tax has the effect of lowering the taxes on household lands.

"In reply to the enquiry : 'So far as you can judge, has the system come to stay?' The answer is 'YES.'"

APPENDICES

APPENDIX I. LAND VALUE AND LOCAL TAXATION IN VARIOUS CITIES

*SEE NOTES BELOW.

City	Population	Area in Acres	Assessed Selling Value		Assessed Land Value		Rate in the £ of Selling Value		Municipal Rate-Revenue			
			Land and Improvements (Improved Value)	Land Alone (Land Value)	Per Head of Average Population	As Per Cent. of Improved Value	Land	Im-provements	Assessed to Land Value	Assessed to Improvements	From all Sources	Per Head
New York City (1919)*	6,006,800	201,440	1,730,662	1,047,731	174	5.201	60.5	5.61	24,516,900	15,480,000	42,194,200	7.0
Detroit (1919)*	1,044,000	51,200	206,050	105,500	101	2.060	51.2	4.45	1,956,000	1,864,000	5,240,000	5.0
Boston (1919)	800,000	27,520	272,690	155,500	194	5.687	56.6	5.66	3,675,000	2,770,000	7,394,900	9.3
Cleveland (1919)*	800,000	35,200	163,000	82,100	103	2.332	50.4	4.26	1,457,300	1,435,900	5,090,000	6.4
Pittsburg (1920)	625,000	28,800	167,400	98,700	158	3.427	58.9	5.44	2,620,000	1,430,000	4,050,000	6.5
Toronto (1919)	499,290	25,722	109,100	60,600	121	2.356	55.5	7.32	1,895,000	1,550,000	4,025,000	8.0
Winnipeg (1919)*	183,380	15,729	57,900	29,620	161	1.883	51.1	5.52	679,000	436,000	1,328,000	7.2
Houston, Texas (1919)*	138,076	23,550	38,630	24,531	177	1.041	63.5	3.70	378,190	140,990	616,410	4.5
JOHANNESBURG (1919)*	136,640	52,330	34,309	14,566	107	2.79	42.4	7.0	424,840	—	427,000	3.1
WELLINGTON, N.Z. (1917)*	73,300	9,650	20,501	11,373	155	1.178	55.4	3.85	168,680	6,180	174,840	2.4
CHRISTCHURCH, N.Z. (1917)*	54,920	5,923	12,312	5,572	101	9.24	45.2	4.63	104,020	2,100	106,120	1.9
BRISBANE (1917)*	39,368	8,520	not valued	6,364	136	1.808	—	5.0	135,214	nil	169,810	4.3
SYDNEY AND SURROUNDINGS (1917)*	777,300	95,259	183,470	67,939	87	7.13	37.0	3 to 8	1,123,922	660	1,124,580	1.4
SYDNEY CITY (1917)	106,000	3,327	81,977	31,131	293	9.357	38.0	3.50	455,040	nil	455,040	4.3

NOTES

1.—The information given in this Table has been obtained either from the published official reports or from correspondence with the responsible Assessment Departments.

2.—American and Canadian values have been converted from dollars into sterling at the pre-war rate of exchange; if the market rate were chosen for the calculation, sterling values would appear about 25% higher.

3.—The assessments of land and improvements are the values actually subject to municipal taxation. They exclude the value of exempted property (belonging to State or City; and hospitals, churches, etc.), which in New York City, for example, is valued at £472,000,000, land and improvements; and in Brisbane at £17,800,000 for land, and £19,600,000 for improvements.

4.—The rate-revenue from all sources exceeds, in a number of the cities, the aggregate revenue from land and improvements. The excess represents the yield from other rates, such as on personal property, income, licences, business, etc.

5.—The Land Value of New York City includes the Land Value of ordinary real estate and of real estate belonging to corporations and the value of special franchises.

6.—The President of the Board of Assessors of Detroit states that although the legal assessment is cash value, the selling prices are probably 20% in excess of the assessed valuation.

7.—The Assessor of CLEVELAND states that the Assessment for the 1919 taxes was made in 1917. The city is (June, 1920) being re-valued, and the new assessment, expected to be finished in October, will show a Land Value of about \$600,000,000, equivalent to £123,500,000, or £154 per head.

8.—In WINNIPEG local taxation on improvements has been reduced by assessing them at 86 2/3 % of their value. To preserve the uniformity of the Table, we have recorded the full value of the improvements and have expressed the relief in taxation by a correspondingly lower rate on the improvements.

9.—In Houston, Land Value is assessed at 77% improvements at 50% and personal or other property at 60%. The tax-rate is 2%. In the Table, the

full value of land and improvements is given, and the tax-rate is correspondingly reduced, without altering the amount of revenue actually obtained.

10.—The population of JOHANNESBURG given above is exclusive of 119,274 natives, Indians, etc. Rates are levied on improvements on mining residential property. The mines themselves are exempt from all rates.

11.—All local taxation in WELLINGTON and CHRISTCHURCH is levied on Land Value, with the exception of certain special rates. In WELLINGTON these amount to 3 3/4 d on "Annual Value," made equivalent in the Table to 0.23d on capital value; and in CHRISTCHURCH the special rates amount to 0.75d. on (capital) improved value.

12.—The revenue in BRISBANE in excess of the yield of the Land Value rate is derived from cleansing or sanitary charges at 25s per service per annum.

13.—The item £660 in SYDNEY is due to a rate of 1d on improved value in Hunter's Hill. New assessments being made under the provisions of the 1916 Valuation Act are showing considerably increased values in the suburbs.

APPENDIX II.

Reprint of the Report of the City Treasurer of Birmingham.

CITY OF BIRMINGHAM. FINANCE COMMITTEE.

THE COUNCIL HOUSE,
BIRMINGHAM,
26th April, 1920.

SYDNEY RATING.

1. On Minute No. 17,504 the Treasurer reports that he has carefully considered the reference by the Town Council to the Finance Committee on the 2nd December last (on a Notice of Motion) in the following terms:—

"No. 24,697—Resolved, that the further consideration of the matter be deferred until the Finance Committee has reported to the Council on the Sydney System of Rating."

The Notice of Motion was as follows:—

"That in view of the desirability of introducing a more equitable system of local rating, and the fact that an alternate system has been successfully in operation in Sydney, N.S.W., for a number of years, this Council calls upon the Government to give permissive facilities for the adoption of the system of rating obtainable in Sydney to such Municipalities in this country as desire them."

2. Enquiries were first made in various quarters whence at various times publications and statements had emanated in this country bringing to public notice the system of Local Rating adopted by the City of Sydney, New South Wales, but upon examination this data did not appear to be sufficiently authoritative for use in a report to the Birmingham Town Council; steps were accordingly taken to obtain an official statement from the City Authorities in Sydney, and a summary of the information obtained is given as an appendix to this report.

3. In brief, the Sydney plan of local taxation involves the adoption of one direct basis of valuation upon the land value, without any regard whatever to the value of improvements upon the land.

4. In the early stages this rating system was applied in Sydney concurrently with the more usual form of rating according to the English practice, i.e., upon the annual value or fair rental value. It had always been difficult for the Treasurer to understand how the difficulties could be overcome in operating two rating systems at the same time, which, to some extent, were inconsistent. For example, a fair rental value cannot be computed without taking the whole circumstances of the property into account, whereas the Sydney plan requires the Assessor to dismiss from his mind all considerations as to the value of improvements upon the land—to ignore, in fact, the nature of the buildings upon the land, and only to take into his consideration the unimproved capital value.

5. It is true that this last-mentioned value was applied in the early stages in Sydney only up to a limit of 3d. in the £ on the capital value, but it appeared to the Treasurer nevertheless difficult to reconcile in principle the two bases of assessment, and in England any appellant against his assessment asking for the impartial decision of a Court of Quarter Sessions might reasonably be entitled to claim that if the unimproved capital value of the land upon which his property stood was a certain figure, the other assessment on fair annual value, taking all circumstances into account, could not well be justified.

6. It should always be remembered that the English rating system is governed almost as much by decisions of the Courts upon Rating Appeals as by direct legislative enactments. The Rating Statutes of this country are old, and the simple test of fair annual value has been reached by a gradual determination of points of doubt under the

old statutes, by reference to the Courts to settle the manner in which the ancient statutory provisions should apply to modern conditions of trade and industry.

7. A notable illustration of this aspect of English rating law is to be found in the fact that the basis of annual value, representing the rent which a tenant would give for the tenancy of property, was laid down long before modern undertakings such as electric light and electric tramways came into use. The same is true, also, of telephones and many other modern services, which could not possibly have been foreseen when this simple test of the liability of ratepayers was formulated.

8. It now appears, however, according to the report of the Town Clerk of Sydney, that since 1916 the test of annual value to determine a man's rateability was abolished, and now the unimproved capital value of land is the sole standard, or measure, of the contributions for which a ratepayer in Sydney is liable.

9. It would appear, from the information received from Sydney, that there are local circumstances and important questions arising in the rateability of land, both by the New South Wales Government and by the City of Sydney, which may have had some influence upon this decision to collect the whole of the Municipal rates in Sydney by a rate or tax on the unimproved capital value. It is clear, however, in the Treasurer's opinion, that many administrative difficulties must have been avoided, under the conditions prevailing in Sydney, when the dual system of rating, partly on the fair annual value and partly on the unimproved capital value, was abolished.

10. On the merits of the Sydney plan of rating or local taxation as potentially applicable to Birmingham, the Treasurer expresses no opinion. The matter is one of policy, to be determined not by the Town Council of Birmingham alone, but by all Local Authorities and the State. Moreover, it is improbable that any one English town could obtain Parliamentary sanction to the introduction of the Sydney plan of rating, as Parliament would doubtless be urged to regard the question as one for determination on national lines, and not on local circumstances. The effect on leases, for instance, and ground rents, would be serious, and local peculiarities in terms of tenure of property, if the Sydney rating system were

adopted in any one town, would create great confusion.

11. The Treasurer is, however, of the opinion that the present English system of rating on annual value to a tenant, and the Sydney basis of capital value, cannot be maintained concurrently without serious administrative difficulties, and it would appear to be necessary to decide whether or not fair annual value to a tenant, taking all circumstances into account, is the proper basis, with suitable modifications, to meet some of the anomalies arising from this simple test, or whether, on the other hand, this basis is to be abandoned and a system of local taxation on capital values of land be substituted. In his view, the two systems cannot conveniently exist side by side in any one community.

12. The incidence of local rates, even direct, is not so clear as to permit liberties to be taken in expressing dogmatic opinions on such questions as "Who really pays the rates—the landlord or the tenant?" Some contend that the tenant pays, some the landlord, and others say that under various conditions both pay shares. If all local taxation were levied on land, it may be argued that the rate or tax would be shifted on to the tenant, more or less, and the actual incidence might, on the whole, remain unaltered. The new levy would, in many cases, be much more than the annual ground rent received by the landowner, especially by the owner of a site let for a long lease at a low ground rent.

13. It appeared from correspondence with the Town Clerk of Sydney that the Sydney plan of taxation had been the subject of investigation by representatives of Local Authorities in America and in Canada, and enquiries were therefore made to ascertain what was the local taxation system, and, if possible, the result of the consideration of this question, in those countries.

14. In America the whole system of local taxation in the United States is not easily comparable with the English system, and it would not conduce to clarity of thought if any detailed comparative statement were submitted in this report. Briefly stated, American towns seem to rely upon taxes upon specific subjects not separately taxable in England for local purposes. For example, the following statement shows the main sources of revenue of the City of Boston during the year ended 31st January, 1919:—

Taxes—City of Boston, U.S.A.

Taxes of 1918	...	...	...	...	\$25,772,163	31
Taxes of 1917 and prior	...	...	...	...	4,002,330	95
From Commonwealth, for city's proportion of tax on corporations	...	...	...	...	2,711,665	18
From Commonwealth, for city's proportion of tax on banks out of the city	...	...	...	...	17,829	10
Street railway tax	...	...	...	...	114,303	98
Bank tax, 1918	...	...	...	...	360,147	42
Excise tax, street railways, Chapter 578, Acts of 1898	...	...	...	...	6,166	42
Foreign ships	...	...	...	...	12,137	40
Taxes on land used for purpose of water supply	...	...	...	...	6,396	04
From Commonwealth, in reimbursement for loss of taxes on land used for public institutions	...	...	...	...	18,408	27
Income tax from Commonwealth	...	...	...	...	4,180,710	01

\$37,202,258 08.

Temporary Loan in anticipation of Taxes.

Received from temporary loan, authorized by orders of the City Council, approved March 26th, June 11th, and September 23rd, 1918

12,500,000 00

\$49,702,258 08

Memo. for comparison:

Revenues in Birmingham, 1918-19—

Rates	...	...	...	...	£2,154,000
Trading Charges	...	...	...	...	5,205,000

£7,359,000

15. So far as can be ascertained, there is no case in the United States where the whole proceeds of local taxation or rating are obtained by the Sydney plan.

16. In Canada, however, it appears to be not an uncommon practice for the main source of Municipal revenues, other than trading charges, to be found in assessments based directly upon the capital values of land, and certain confidential particulars were secured from some Canadian towns illustrating the difficulties which arose in operating this system, as a consequence of unforeseen events such as the war. Without breach of confidence, however, it may be said that in some towns, under

certain conditions, such as those prevailing where the land had been assessed upon its capital value on the assumption that it was more or less in a forward state of development ready for building, and circumstances arose, such as the war, which retarded development, or the chances of development, for an indefinite period, it was not unusual for owners of such land to disclaim possession and give up ownership, leaving the authority to appropriate the land, rather than pay the land tax thereon. This difference between the nominal proceeds of land taxes and the actual proceeds is shown in the accounts of the City of Edmonton, Canada, in a striking way by the following figures:—

CITY OF EDMONTON, CANADA.

Revenue from Assessments, year ending 31st December, 1916:—

General Tax Assessment	...	...	...	...	\$2,758,785.73
Special Frontage Tax	...	...	...	...	400,937.40
Special Water Frontage Levy	...	...	...	...	111,796.76
Special Whiteway Lighting Maintenance	...	...	...	...	7,609.19
Special Private Plumbing	...	...	...	...	3,550.71
Special Wadhurst Park Sewer Maintenance	...	...	...	...	555.34
Special Health Assessment	12.90
Special Water Rate Arrears	365.60

3,283,613.63

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Less Allocations:—			
Edmonton Public School Tax	\$650,000.00
Edmonton Separate School Tax	80,000.00
Edmonton Library Tax	...	...	34,698.42
Water Frontage Levy	...	...	111,796.76
Whiteway Lighting Maintenance	...	...	7,609.19
Private Plumbing	...	...	3,550.71
Wadhurst Park Sewer Maintenance	...	...	555.34
Special Health Assessment	...	...	12.90
Water Rate Arrears	...	...	365.60
Discount	...	...	159,898.71
			1,048,487.63
Net Assessment	...	...	2,235,126.00

MEMO.—Current Assets in Balance Sheet include:—

Taxes Receivable—			
Arrears for 1913 and prior	...	...	\$636,595.12
Do. 1914	...	...	1,421,245.23
Do. 1915	...	...	1,527,094.26
Do. 1916	...	...	1,665,322.42
			5,250,257.03

It will be seen that of the total revenues for 1916 of \$3,283,613, there were arrears for that year of \$1,665,322, and total arrears amounting to \$5,250,257. In Birmingham arrears of rates are so small as to be scarcely worth mentioning.

17. With rates heavily in arrear, a Canadian town cannot pay its bond holders in land, on the bonds maturing, nor can the land always be realized with a fair chance of product in cash adequate to meet contractual obligations. In a few such cases, unfortunately, the local authorities became defaulters in the payment of interest and liquidation of capital debt. Clearly such a regrettable event has had, and may for a long time continue to have, serious effect upon the confidence of investors, and concurrently brings about a heavy burden of charge upon those who remain in the town to bear the weight of taxation upon the assessments still remaining assessable and paying taxes. The collection of the local tax, in fact, becomes a more uncertain quantity when applied to capital values, as the income from the property out of which (under English practice) rates originate may not in fact accrue, and may therefore have to be added year by year to the liability of the owner until by realisation of the land, or otherwise, he is able to discharge his obligations out of the land in capital or in revenue.

18. The members of the Birmingham Town Council may be interested to follow the effect on the product of the rate, or tax, on land by a few illustrations, and having

regard to the fact that the Overseers of the Parishes of Birmingham and Handsworth have had before them for consideration a resolution of the Cardiff City Council advocating the levy of rates upon the capital value of land, the Rating Officers in the Treasurer's Department have prepared a memorandum giving examples of the result of applying this basis to typical properties in the city.

19. The resolution forwarded by the Cardiff City Council, and dated 29th October, 1919, is as follows:—

"That, in the opinion of this Council, the first step towards a reform of the system of local rating is that rates should be levied on land on an assessment based on its full capital value, irrespective of the use to which the land is being put, and whether it is in use or not."

20. It is not clear whether the Cardiff Council contemplate the dual system as already explained, or the abolition of the existing system, and the substitution of the capital value of land as the basis of local rating, but the Treasurer has already pointed out that, in his opinion, it may have to be a choice between one system or the other.

21. The question of the rating of land values has been a subject of public discussion for many years, and two ideas behind it are generally suggested:—

(a) That some kind of charge should be levied on owners of the capital value of land, because, it is claimed, they make no

contribution towards the city's expenditure, whilst the industry of the inhabitants has greatly increased the value of such property.

(b) That all rates should be levied on the capital value of land, and so drive all land into proper use.

22. In both cases the unimproved capital value of the land is obviously the same, and it may be stated that no insuperable difficulty would arise in making such a valuation of land; the main difficulty would be getting any two valuers to agree as to a capital value, particularly having regard to the words of the resolution "irrespective of the use to which the land is being put, and whether it is in use or not."

23. Careful consideration has been given to the question of the unimproved capital value of the land in the City, and it is estimated to be the sum of thirty million pounds (£30,000,000), which, at one penny in the pound, would produce the sum of £125,000 per annum, without allowance for any loss in collection.

24. The valuation branch of the Rates Office has in its possession a certain amount of information with regard to land, but, generally speaking, it would be necessary to make a complete re-valuation, as at present a ground rent is adopted as part of the assessment. In deciding the capital sum to be paid for a property, an occupier would have regard to the existing ground rent and length of lease to run in arriving at the purchase money, although, particularly with regard to all leases in which a considerable number of years have run, the ground rent does not represent the present letting value of the site.

25. It may be contended that the valuations prepared under the Finance Act (1909-10), 1910, could be adapted for this purpose, but this is doubtful, having regard to the various definitions stated in the Act, and to the fact that even now many thousands of valuations are still not settled for various reasons, and also by this time are some years out of date.

26. Leases invariably provide that the lessees shall pay all present and future rates, and it therefore may be asked how owners could be called upon to pay a rate upon the site value, as it is generally assumed that the fact that the tenant undertakes under the lease to pay the rates must have been taken into consideration in arriving at the rent to be paid when the lease was entered into. The owner, if this system came into operation, would therefore contend

that he would be paying rates twice over if no readjustment of this additional levy took place. It should always be remembered that in this country long leases are prevalent, and that in a country like Australia it is not likely that this aspect of the matter would be so serious.

27. The present system of rating rests on the ability of the ratepayer to pay, which is reflected by the annual value of the hereditament, and as this annual value is immediately susceptible to any fluctuations in the property market, it is generally considered that the present system of local rating is more elastic and certain than a valuation on the unimproved value of land.

28. The Cardiff resolution states "irrespective of the use to which the land is being put and whether it is in use or not." This follows closely the basis adopted by the Sydney authorities. Now rent actually paid, which provides the foundation of the English rating system, is a matter of fact, and where no rent is paid, generally speaking, there is practically little difficulty in arriving at a rental value by comparison. Capitalized ground rent and unimproved land values are not synonymous terms, and the reasons for this are so obvious as not to require any explanation.

29. In considering the divergence of views that would no doubt appear as to the value of land, it may be interesting to quote the opinion of Lord Farrer, extracted from Parliamentary Paper (Cd.) 9528, that "Valuers will, no doubt, put a valuation on anything, whether they know anything about it or not, but the question is what real basis have they for their valuation? The only ultimate basis of a valuer's knowledge is his experience of actual market values; and as the land and the houses upon it are sold and let together, no such basis can exist for a separate value of the two things."

30. Assuming that the whole basis of rates were transferred to land values, it would be necessary to devise some machinery for the allocation of the rate between each occupier, and therefore on any change of tenancy at an altered rental it would be necessary to adjust the whole of the calculations for a block of property instead of at present merely altering one assessment.

31. There are many other considerations requiring attention, such as in what manner properties of the following description would be dealt with: Gas, electric, and water mains, telephones, publicans' licenses, tithes,

LAND VALUE RATING

and such questions as compounding on the collection of rates, differential rating for added areas, etc. Some equivalent of these arrangements now existing would be demanded, so also would charitable institutions, churches and chapels, etc., ask for some concessions, if not total relief.

32. The following examples, however, offer some slight indication of the effect rating of land values would have on various classes of property. It is based on the assumption that as a penny in the £ on £30,000,000 produces £125,000, to obtain the rate collection of £2,667,087 for the year ending 30th September, 1919, a rate on land of about 1s. 9d. in the £ would be levied:—

Description of Property Assessed to Local Rates.	Present Rateable Value, on usual basis.	Rates at 12/- in the £ in 1919-1920.	Value of Land without improvements (Estimated).	Produce of Rate at 1/9 in the £.
1	2	3	4	5
	£	£ s. d.	£	£ s. d.
House ...	10	3 19 0	67	5 16 0
House ...	20	12 0 0	112	9 15 0
House ...	42	25 10 0	225	19 11 0
House ...	170	102 0 0	787	68 9 0
House ...	3,100	1,860 0 0	35,000	3,045 0 0
Theatre ...	950	570 0 0	9,000	783 0 0
Picture House ...	552	331 4 0	2,790	242 14 0
Manufactory in business area ...	4,307	2,422 13 10	1,800	156 12 0
Manufactory in suburban area ...	2,400	1,350 0 0	6,800	591 12 0
Ditto ditto ...	496	279 0 2	1,575	137 0 0
Ditto ditto ...	500	281 5 0	1,500	130 10 0
Ditto ditto ...	84	20 17 0	2,790	242 14 0
Farm ...	2	0 10 0	45	3 18 0
Allotment ...	2,460	1,476 3 0	24,173	2,103 0 0
Bank and Offices ...	793	467 5 0	7,700	669 18 0
Ditto ...	17,904	10,772 8 0	121,500	10,570 10 0
Council House Extension ...	134	80 8 0	1,350	117 9 0
Cricknet Ground ...	152	91 4 0	3,656	318 2 0
Golf Links ...	1,800	1,080 0 0	4,975	432 16 0
Hospital ...	250	140 12 6	450	39 3 0
Suburban Cinema ...	330	198 0 0	2,825	245 15 0
Corporation Stabling and Yard ...	488	292 16 0	5,625	489 7 0
Football Ground ...	160	92 13 4	555	48 6 0
Public House ...	101	48 12 8	913	79 8 0
Ditto ...	4,400	2,640 0 0	76,660	6,705 0 0
Shop, Centre of City ...	85	51 0 0	825	72 0 0
Balsall Heath ...	34	20 0 0	350	31 0 0
Aston ...	76	40 0 0	300	26 0 0
Moseley ...	76	46 0 0	170	15 0 0
Edgbaston ...	31	15 0 0	175	15 0 0
Erdington (outer fringe) ...	55	29 0 0	266	23 0 0
Northfield ...	Nil	Nil	7,875	693 0 0
Unused Land, Centre of City ...	Nil	Nil	200	17 0 0
Ditto Suburbs ...	Nil	Nil	80,880	*7,077 0 0
Central Church ...	Nil	Nil	1,312	*114 0 0
Suburban Church ...	Nil	Nil	620	*54 0 0
Chapel ...	£25/10	15 0 0	241	21 0 0
School Room ...	838	503 0 0	14,940	1,307 0 0
Private Club, Centre of City ...	67	40 0 0	1,624	60 0 0
Working Men's Club ...				
TOTALS	42,892 10	25,398 1 6	422,651	36,780 5 0

*Unless these rates on the site value basis are to be paid by all properties, it would be necessary to frame a scheme of exemptions, whole or partial, based upon the existing rating system, places of worship, for instance, at present being exempted.

APPENDIX II.

33. Without enquiry on the spot in Sydney to collect data upon the basis which the valuers adopt in reaching a valuation of the unimproved capital value of land, it is not possible—nor would it be fair—to attempt to do more than give an outline of the principles involved and the effect produced by such a change in Birmingham, but these examples have been selected at random, and, on the average, convey a general idea sufficiently accurate for the purpose, of the difference in the incidence of the English and Sydney systems respectively.

34. Perhaps this material gives the members of the Council the best guide to a decision in this matter. If some desire to relieve the shopkeeper, it will be interesting to see the effect of the Sydney plan on the various classes of shops. Those who think that large establishments, such as Banks, Theatres, and big houses should pay more, will observe what the Sydney system would do in this direction. It is, however, most difficult to generalise in this matter, as so much depends upon the situation, surroundings, and prospects of the site. These considerations in some instances predominate over questions of user for a particular purpose, be it a shop, office, house, manufactory, or other building.

35. Further, it should be observed that in this review it has been assumed that the Sydney Rating System would be applied to all properties in the City, and not to any selected areas or particular classes of property. Whether any discrimination could be exercised in this respect is at least doubtful, and it is possible only to sketch the general financial result if it were applied all round.

36. Opinions will differ as to the indirect effect of applying the Sydney Rating System in England. Some state that the high rentals of workmen's dwellings in Sydney are due more or less to the rating system, and others believe that as land would be forced into the market, the effect must be to induce more building. Then it is claimed that the local authority cannot fairly prevent an owner of land from using it in the most remunerative way, regardless of amenities, if the land is to bear all the local rates; especially, it is urged, would this cause disturbance of tenancies of old buildings on valuable sites, to the injury of well-established businesses built up in the old premises. This, others say, is necessary for the public advantage. These, however, are

not financial considerations, and must be left for judgment by public opinion.

37. In conclusion, the Treasurer ventures to remind the readers of this somewhat technical statement that suggestions for new methods of raising local revenues do not reduce the burden of expenditure. The cost of maintaining the City in all its diversified forms of energy under Municipal government has to be met. It is true that the more evenly the burden is distributed the less it is felt, but the burden is there nevertheless. It is public expenditure which determines the degree of local taxation.

38. In pre-war times a fair part of the cost of maintaining the City's services was borne by indirect taxation in the form of trading charges, which were levied sufficiently high to produce a free balance of profit or surplus for the relief of the direct ratepayer. This indirect taxation is now almost entirely removed as the result of war conditions.

39. It might be possible to extend the system of charging the recipient of benefits from Municipal services directly for the services rendered by the Council. The removal of dry refuse at a charge per load removed is an existing example of this class of service rendered on special terms, over and above the payment of rates by the manufacturer concerned.

40. There does not, however, appear to be much latitude in this respect; indeed, the tendency is rather to diminish special charges for special services, and to add the expenses of rendering these services to the general burden borne by the community. Instances of this feature will readily come to mind in branches of Public Health work. The community now bears the expense of prevention of disease and treatment of persons who, not many years ago, were themselves liable for refund of any expenditure incurred by a local authority, or were in fact put to the necessity of incurring the expenses themselves.

41. The tendency to municipalize certain services is not a matter for argument so much as a matter of fact, and a local authority cannot move very much in advance of public opinion upon this matter. Generally speaking, it is more often the case that the local authority takes over the cost of a service only after the community has demanded it.

42. The Treasurer would also add that it is not within the scope of this document to

embark upon suggestions for rating reform; the memorandum has been confined in the main to a review of the various factors upon which the members of the Council may wish to inform themselves in considering the Sydney plan of local taxation, and the report received from Sydney, set out in the Appendix, should take precedence with the reader before these notes by the Treasurer.

43. It may well be that, after consideration of this aspect of the matter, attention may subsequently be directed to the need for some amendment in the existing rating system in England, to meet objections at present lodged against it, as an alternative to a scheme intended to abolish it and build up a new rating system. This course would find many supporters in this country—a State which has always proceeded by evolution rather than by revolution, even in such everyday matters as rating.

44. If, for instance, a remedy can be found to meet the case of the shopkeeper who protests that because he puts a new shop front in his premises his rates are increased,

or the complaint by a manufacturer that if he rebuilds his premises to secure better working conditions for his employees, heavier taxation and heavier local rates descend upon him, it might perhaps be considered that it is better to bear the ills of the present rating system and find a palliative for anomalous cases, rather than fly to the adoption of a system we know not of. These are questions beyond the range of the instruction given by the Town Council to the Finance Committee, and they are now mentioned by way of comment rather than suggestion.

45. The Treasurer hopes, however, that this information may be of some slight assistance to the members of the Council in considering one of the most important aspects of local government at the present time, namely, the sharing of communal financial burdens, and he trusts that it may thus serve the purpose for which it is intended.

ARTHUR COLLINS,

Treasurer of the City.

APPENDIX. SYDNEY RATING.

Statement furnished by the Town Clerk of Sydney, 8th December, 1919.

(a) The "Sydney Plan" of taxation as described herein is known in Sydney under the designation of "Unimproved Capital Value System of Rating," and involves, therefore, the simple method of taxing ratepayers by one direct basis of valuation upon the land value without any regard whatever to the value of improvements upon the land. This system was installed in Sydney in 1909, but only a portion of the rate revenue of the City was derived from same. The balance of the revenue came from the original form of rating, viz.:—The Assessed Annual Value or Fair Rental Value. This latter basis was abolished or suspended in the year 1916, after a considerable amount of argument for and against, and the Unimproved Capital Value basis was adopted by the Council. The revenue under the dual systems was raised by the striking rates as follows:—

(b) Assessed Annual Value with a limited rate to be struck up to 2s. in the pound on 9/10ths of the gross annual value.

(c) Unimproved Capital Value with a limited rate to be struck up to 3d. in the pound.

(d) The existing rates in the pound, at the date of suspension of the Annual Value, were: Assessed Annual Value is 9 in the pound, Unimproved Capital Value 1½ in the pound. [The figures should be 1s. 9d. and 1½d.—A. W. M.]

(e) The Council, in adopting the single system of Unimproved Capital Value, was desirous only of raising the equivalent revenue as was received under the dual system, and struck a rate at 4d. in the pound.

(f) Prior to the year 1909, the Unimproved Capital Value rate was received by the Government of New South Wales, and was known as the Land Tax, and a fixed charge or rate of one penny in the pound was the recognised levy thereunder. The transfer of this tax to the City Council under the altered designation was the outcome of certain negotiations by the representative authorities at the time, and an Act of Parliament authorising same was passed in 1908, called the "Sydney Corporation (Amendment) Act, No. 27," which placed certain obligations upon the Council in lieu of the transfer. The exemptions under the Act were as follows:—

(g) "Rateable property" or "rateable lands" means property rateable under the Principal Act not being:—

1. Land the property of the Crown; or
2. Land being or forming part of land now vested in the University of Sydney, or in any College within such University; provided that such land is used for the purposes of education or for purposes incidental thereto, or connected therewith, and is not under lease from such University, or any such College; or
3. Land vested in the Chief Commissioner for Railways and Tramways or in the Sydney Harbour Trust Commissioners or in the Board of Water Supply and Sewerage.

(h) Further exemptions under the Principal Act are as follows:—

"No land vested in trustees for purposes of public recreation, health, or enjoyment, and no hospital, benevolent asylum, or any other building used solely for charitable purposes, and no building used solely for public worship, or any school under the Public Instruction Act of 1880, shall be liable to be assessed or rated in respect of any rate under this Act."

(i) In order to make it possible for the Council to adopt the single rate basis so that the ratepayers generally would not be unduly or heavily taxed because of the above exemption, it was found necessary to approach Parliament to modify the exemptions, and a further Amending Act was passed in 1916, in which the 1908 Act was amended as follows:—

- (a) Omitting paragraph 1.
- (b) At the end of definition of "rateable property" insert rateable property and rateable land shall also include the property of the Crown (whether built upon or not).
- (j) It might be mentioned that before the passing of this Act the Crown Lands were rateable as upon the rental or assessed annual value; hence the necessity of the above provision.

(k) As regards the method of assessing property: As before mentioned, the system of rateability upon the Unimproved Capital Value was found to be a simple form of taxation in so far as it affects the City of

Sydney, because of the fact that the basis had already been established some years before, and more especially because of the fact that the responsibility of valuations had already been in the hands of a competent Valuer under the Real Property Act ever since the "Land Tax" was initiated by the Government. He still retains the position as City Valuer, so that it will be recognised that under the administration of one Valuer, with the knowledge of all transactions of City properties before him continually, whereby he is placed in a position to decide the true values, that, with one mind in operation, a regularity of values for rating purposes must be in evidence. In order to substantiate and support the City Assessor's valuations of land, it is found necessary to keep a record of the individual rentals paid throughout the City, so that whenever a revaluation of the City is ordered by the Council, a canvass of the City is made by Collectors appointed for the purpose, and a complete record is made.

(l) With regard to the taxation of Public Service Corporations: There are several bodies of a civil character which are self-administered, viz.:—

Metropolitan Board of Water Supply and Sewerage.

Sydney Harbour Trust.

Fire Brigades Board.

Railways and Tramways.

All of these bodies are exempt from taxation except the Fire Brigades Board, but the rates paid by this body are infinitesimal compared with the amount of contribution paid yearly by the City Council into the fund of this Board. The Electric Light and Power administration of the City of Sydney is under the control of the City Council.

METHOD OF MAKING ASSESSMENTS.

(m) Under the Sydney Corporation Act the Council is directed to make a reassessment of the City at least once in every five years. It has been the custom, however, to carry out the work every three years, both for Unimproved Capital Value and Annual or Assessed Rental Value assessments, and although the annual value basis of taxation has been suspended, it has been held by the City Assessor that it is absolutely necessary to keep up the records in this connection, in order that all the information which has a bearing on valuation is at hand for reference.

(n) The Assessed Annual Value basis of taxation is still in force as far as the Water

and Sewerage Board is concerned, and that body is empowered under their Act to take a copy of the Council's Assessment Books.

(c) When a new assessment is ordered to be taken, a start is made by the City Assessor early in the year, say in February, and a staff of temporary clerks are engaged as follows:—

Six clerks for outside work, collecting information in field books for the Assessed Annual Value.

Four clerks for writing up the official assessment book from the field books after same have been personally revised and assessments fixed by the Valuers.

(p) The same clerks, or as many as required, are utilized in compiling the Unimproved Capital Value Assessment Books and rate books and writing up assessment notices, etc. The Unimproved Capital Value assessment is never commenced until about the middle of the year. The City Valuers revise the value in the field books: then current, and from them the official ward assessments are compiled, when all subdivided assessments which have taken place during the preceding years of the assessment period are brought back into their respective street positions.

(q) Assessment notices are issued both for the Assessed Annual Value and the Unimproved Capital Value in the month of January, thirty days being allowed by the Act for the service of same from the date the assessment books are handed over by the Valuers to the Town Clerk, which is always about the 30th December.

(r) The Assessed Annual Value notices are served on the premises to which they refer by the temporary staff, and the Unimproved Capital Value notices are posted to the owners.

(s) Appeals against assessment must be lodged within fourteen days after the thirty days aforesaid have expired, and such appeals are dealt with by the Valuers. The appellants are invited to meet the Valuers at an appointed time, and the appeal is discussed, and, if possible, an amicable settlement is arrived at. Such settlements are confirmed by the Court of Appeal in due course, and all unsettled appeals are called at the Court, and those undefended are struck out, and defended ones, of course, are heard by the Judge and disposed of.

(t) The method of holding friendly appeals by the Valuers is found to be very satisfactory. The number of contentious appeals which come before the Court is very small.

(u) I may further add that the Municipal Council of Sydney is now in the fourth year of rating on the unimproved basis entirely. The change over from the improved or rental basis was the subject of an extended battle between the two factions of the Council supporting the respective systems.

(v) The aim and object of the supporters of the Unimproved Capital Value was not to exact more taxation in the aggregate, but incidentally to get at the owners of valuable city properties, who for years past had allowed their land to remain occupied by old and, in many cases, dilapidated premises, which only contributed to the rate revenue according to the return therefrom, the result being that, in a great many instances, the lands referred to have been forced into the market by the heavy taxes, which become a burden to the owners because of the small revenue received being swallowed by the tax.

(w) It is claimed that the incidence of the rate has been the means of buildings being carried high in the air in order to avoid a fair share of the taxation. The bulk of the rates received in the City of Sydney comes from the three main commercial wards, of necessity, but the revenue from the individual properties, it is considered, is unfairly distributed.

(x) The unpretentious class of building up to say four storeys is the most heavily taxed. Those which tower above that height go practically free of municipal rates for all the floors above.

(y) Naturally it must be seen that while the supply is greater than the demand such seeming unfairness must exist. In order to level up this contingency it seems feasible that some extra form or basis should be applied in order to pick up the deficiency from the skyscrapers, and the only form which appears to be applicable is a tax on the improvements. Under the Local Government Act the assessment books of all the suburban Councils contain three sets of valuation, namely, the Improved, the Unimproved, and the Rental Values. This does not apply to the City of Sydney, but it is considered that a valuation of improvements should be recorded in the City Council's books. A rate could then be levied upon the value of same, as well as on the Unimproved Capital Value, which together would give the aggregate revenue required by the Council, and would even up rates payable generally and individually.

Town Clerk of Sydney.

8th December, 1919.