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LAND VALUE TAXATION IN PRACTICE

NEW SOUTH WALES AND SYDNEY

Address by
ALDERMAN J. R. FIRTH
(Westminster, London, 12th May, 1925)



ALDERMAN J. R. FIRTH
Mayor of Strathfield, Sydney, N.S.W.
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LAND VALUE TAXATION IN NEW SOUTH WALES

Speaking at a Dinner given under the auspices of the United Committee for the Taxation of Land Values, the English League, and the Henry George Club, in the Victoria Mansions Restaurant, Westminster, 12th May, 1925,

Alderman J. R. FIRTH, of Sydney, said :—

Before I say anything about our local taxation system in New South Wales, perhaps you may like to hear a few words on the question of our Australian tariff. To understand the protectionist policy of Australia you have to take it for granted that the great majority of Australians on this question are virtually insane. For over twenty years now Australia has decided to prevent imports with the idea of producing goods in Australia. Although we have come to that decision, we have not *nous* enough to carry out the policy in the only logical and effective way, for I need not explain to this audience that the only means of successfully excluding imports is to prohibit exports. That the Australian protectionists will not do ; and so in Australia although we have the highest tariff in the world, we continue to import as much as we ever did. With a population of under 6,000,000 people in Australia, our customs revenue last year was £36,000,000 in duties on goods we have been trying to exclude but which come in nevertheless. If you in this country were in the same position, if you had a tariff in proportion to ours, you would thoroughly realize what Protection means. It means that you pay double for everything you buy. During the last few years we have been getting extraordinary good prices for our produce. Both wheat and wool have been fetching good prices lately and we were fortunate enough to sell our wool before prices dropped. In these circumstances our people in the country districts are not quite so sore about the iniquities of Protection as they possibly will be next year, or in the future, when we have a bad time with our crops and the price of wool falls. Just what political effect that will have it is difficult to say. It is difficult to tell how long our primary producers will continue to be deluded by Protection. At present there does

not seem to be any particular hope of a speedy release. It is good to see that a vigorous agitation—a tariff reduction league—has been started in Western Australia and this may get something done. There are those who vote for Protection for selfish ends, but manufacturers do not sincerely believe in Protection in principle and as a national policy.

LAND VALUES AND LOCAL TAXATION

The agitation for the Taxation of Land Values began in Australia in the early 'eighties after PROGRESS AND POVERTY had given its message to a number of readers, and some of us got very enthusiastic about it. Henry George himself came to Australia in 1890 and made a great impression with his public addresses. The first legislative step in our direction in New South Wales was the State Tax on Land Values introduced in 1896 and levied at the rate of 1d. in the £ of the capital value, but it had the defect of exempting land holders whose assessed land value was less than £240.

The adoption of land value taxation for local purposes followed nine years later and during that time a small band of fifteen or twenty active spirits had worked day and night to convince the people that rating of the unimproved value of the land was just and therefore expedient. Our opportunity came in 1905 when Sir Joseph Carruthers, the leader of the Liberal Party and a member of the Sydney Single Tax League (he had been a member of the Canterbury Single Tax League in 1891) became Prime Minister. He passed the Local Government Acts of 1905 and 1906 which obliged all the municipalities (with the exception of the part of Sydney called the City, which raised its local revenues under a different law) and all the shires to levy their *general rate* at not less than 1d. in the £ on the capital value of land apart from improvements. In the shires the *general rate* had to be "not more than 2d." on the same basis. As to all rates, other than the general rate, the councils were given the option to levy either upon land value or upon "improved capital value," that is, upon the value of land, plus improvements, if any.

GENERAL ADOPTION OF THE PRINCIPLE

It is important to notice that practically all the councils made use of their option to levy all rates on land values. A few councils sought to do otherwise, but polls were demanded in every case and in every case the advocates of the land value taxation were

successful in making the basis of the rates the value of land only. It should be understood that voting was confined to ratepayers, that is, to owners of land. Occupiers were not allowed to vote. It was on the votes of the landowners themselves that the land values system was adopted. It shows that the beneficial effect of the policy was well appreciated. I want to emphasise that. And now, no member of any local council would dare to suggest that we revert to a tax on improvements. In our agitation we were able to secure the whole-hearted support of all classes. Free Traders and Protectionists, trade unionists and manufacturers, all combined in approving it. Right throughout New South Wales we have the unanimous support of the Labour Party on this question.

When land value rating was adopted, the State Land Tax was abandoned. The State in effect "handed over" the Land Tax to the municipalities and shires and at the same time the exemption of £240 was abolished. In the City of Sydney, the 1d. rate on land values (with abolition of the State Land Tax) was imposed in 1908 and in 1916 the rating of land values was brought fully into operation, so that since 1916 the whole of the city rates have been levied on the value of land apart from improvements. There are separate rates levied in the Sydney and Newcastle areas for water and sewerage. These services are administered by independent boards that are distinct from the municipal councils, and under a separate law the rates are assessed on the old basis of annual value of land plus improvements; but this year an Act was passed giving the water and sewerage boards optional powers to levy their rates on land values. With the present exception of these boards, and a negligible amount of rates levied in a very few country municipalities and shires on "improved capital value" for special purposes, we take our local revenue in New South Wales purely and solely by the taxation of land values. We do not tax buildings or machinery or any improvements. We encourage the expenditure of capital and the employment of labour. We make it pay to *use* land. We make it a losing game to withhold land from use. We make it pay to pull down shanties and to erect beautiful buildings in their place.

VALUATIONS

Until 1916 the valuations were always made by the local councils, but in that year an important Act was

passed establishing the department of the State valuer-general, which now has the duty of making periodic valuations throughout the State. The department unfortunately has been allowed such a small staff that its progress has been much delayed, and it has still a number of municipalities and shires to overtake. The work it has done so far has, however, proved most effective, especially in some parts where the council valuation has been done in slipshod fashion or with undue regard to the interests of land speculators. The valuations when made are used for all purposes, namely, local rates, probate or death duties, resumptions (*i.e.*, compulsory purchases), savings bank advances, and so on.

LAND USERS BENEFITED

The effects of assessing land at its true market value and imposing rates on that value, with all improvements exempt, is to squeeze the water out of land prices. It obliges landowners to part with their land where they have been simply holding it for a rise, and when these landowners are trying to sell, naturally the price falls. As an example, there was a case of a man in my own borough of Strathfield who was paying under the old system £80 a year in rates on a section of land lying vacant. The first year land value rating came into operation he had to pay £800. That was the first year. The second year he had sold the bulk of his land, and it was taken up by many who were eager to use it. At the same time, others whose land had been developed, who had their house and home on it, found that their rates of £8 or £10 a year under the old system had been reduced to £2 or £3 under the new. In short, the new system is of immense benefit to the man who uses his land well, by taking from his shoulders the burdens he had to bear when improvements were taxed and land values were largely exempt.

BUILDING BOOM IN SYDNEY

In Sydney there has been an enormous development. In the seventeen years from 1908 to 1924 our population has grown from 550,000 to just over 1,100,000 and by Sydney I mean the City and the surrounding forty metropolitan municipalities. How that population has spread out, with no overcrowding or congestion, I will explain. There has been an extraordinary building boom, interrupted in some degree only during the years of the war. The returns for 1924 show that

the number of new buildings brought to completion and connected with the water supply is the largest on record. "The official figures," says the SYDNEY DAILY TELEGRAPH of 24th December last, "indicate that the building boom has been more than maintained, as the building trades are busier than ever. The result is that the City is being transformed day by day, and as the old landmarks disappear modern and palatial premises fill their places." The "old landmarks" referred to mean shanties and antiquated tumble-down buildings. Here are the official figures of new buildings in the metropolitan area as published in the SYDNEY MORNING HERALD of 24th December, showing the results for the last eleven years :

	Buildings Completed	Cost £
1914	10,546	6,775,548
1915	7,632	5,124,464
1916	6,283	4,479,118
1917	5,401	3,595,992
1918	4,998	3,726,896
1919	5,830	4,788,804
1920	10,015	9,273,659
1921	8,537	9,655,163
1922	9,084	9,917,963
1923	10,450	10,133,116
1924	12,180	14,346,071

THE SPREAD OF POPULATION

These figures speak for themselves. With all our progress, I have heard some astonishing statements since I came to this country. One is that our system of land value rating has forced us to crowd buildings on the land and go in for cramped development. Of course, if you said that in Sydney people would laugh at you. But some people say it here, and the amazing thing is that they seem to believe such a story. The statement is totally at variance with the facts. Remember that the population of the city and its suburbs has grown from 550,000 in 1908 to just over 1,100,000 in 1924. If you examine the figures of population for each of the districts of Sydney you will find that in the city and the suburbs immediately adjacent, the population has been almost stationary. The increased population, all but a fraction of the half-million we have added, has settled in the suburbs where land had been "held for a rise." The vacant areas

have been peopled and the houses have spread themselves out, because the inhabitants have not been held in by a ring fence of monopoly prices for land. I could give many examples to illustrate this spread of population where room was awaiting it. Thus the municipality of Canterbury, five miles from the central area, had a population of 4,000 people in 1901; to-day it has over 50,000 people and I think I would be correct in saying that every one of the houses there has sunlight all round it. In my own borough of Strathfield we have made use of our powers under the law to limit houses five to the acre and we have neither terrace houses nor semi-detached houses. Each is a detached house. The growing population has got land cheaper than it otherwise would, and this has ensured liberal space for each house, larger than was provided before the new system came into operation.

PRIVATE ENTERPRISE PROMOTED

The subdividers of land, brought into competition with one another by the working of land value rating, found that small lots did not sell readily; they had to offer generous-sized lots, and to attract the new householder they found it paid them at the same time to gift land to the public for playgrounds, tennis courts and the like. The new system has also made it easy for local governing bodies to acquire land for parks and other open spaces.

I would like to give you some further thoughts and facts in regard to housing. The whole of our increased population has been settled where it ought to be settled, where there is plenty of land and sunlight. If you tax land values heavily enough, and exempt buildings, private enterprise will provide the houses quickly enough. We have had some experiments—only a few I am glad to say—with State and Municipal housing schemes; these experiments were tried only to be abandoned, after much extravagance and loss and not a few complaints about corruption. We do not want and we do not need any more such schemes. We have left things to private enterprise and private enterprise, freed from land speculation and from taxes on buildings, has succeeded. We only wish it could be freed also from the heavy cost of the tariff.

A TALE ABOUT "SKYSCRAPERS"

Another astonishing allegation against land value rating is that it promotes the building of "skyscrapers."

I do not know the exact meaning of a "skyscraper"; but if the term is used in the sense of something objectionable—a building not only abnormally high but hideous to look at and an obstruction shutting out air and light from other buildings—then emphatically we have no "skyscrapers" in Sydney. As a fact, our tallest building is 13 stories high and it was erected *before* the system of land value rating came into operation. Moreover, we have a building law which limits the height of buildings to 150 feet and no building may be carried higher than the width of the street it faces. As to our new business premises in the city, any visitor to Sydney would bear me out in saying that they are palatial. They are beautifully lighted, splendidly equipped with lifts, etc., and in every respect a credit both to their builders and to the city.

HOUSING STATISTICS

Housing statistics are of some interest. In Sydney, in 1901, the number of persons per occupied dwelling was 5.42; in 1921 the figure was 4.92. The number of one-roomed dwellings in New South Wales in 1911 was 20,321; in 1921 it had fallen to 12,787. In 1911 the two-roomed dwellings numbered 14,596; in 1921 they numbered 14,072. Thus in these ten years 8,058 one and two-roomed houses had disappeared. In the same period, the proportion of dwelling houses of four rooms and upwards increased from 81.4 per cent to 86.3 per cent. Again I find that the proportion of dwellings with seven occupants or more has declined in these ten years from 22.1 per cent to 18.7 per cent. I am quoting the New South Wales Year Book for 1923 and the figures do not look as if we had gone in for congestion or overcrowding; far from it.

HOUSES AND GARDENS

Let me deal with one more alleged objection. It has been suggested, I find, by some people, who I am afraid allow neither reason nor experience to guide them, that land value rating prevents a man from having a garden round his house. The facts are that where the people dwell in Sydney, the rule is five or six houses to the acre and as a rule therefore the gardens are one-fifth to one-sixth of an acre. If you take the case of a man who has a house within a garden 50 feet by 150 feet, the whole site being worth £200, he is assessed at £200. The rates levied at 4d. in the £ on £200 land value amount to £3 6s. 8d. a year. If we had the old system

of taxing the annual value of the house and the land, it is calculated that the rates in the district would be 3s. in the £ of annual value. The assessment of the house and land (nine-tenths of the annual value) would be approximately £80 and that same man would be paying £12 in rates. But under the new system he pays £3 6s. 8d. If that discourages a man from having a garden, I do not know what would encourage him.

LAND SPECULATION SCOTCHED

In New South Wales with its population of 2,200,000, the total amount of local rates raised by the rating of land values will amount this year to nearly £4,000,000—that is, for the whole State. The economic effect is undeniable. One most wholesome result is this. We used to get a land boom, followed inevitably by disastrous industrial depression in Australia every ten or fifteen years. If any of you ever went through such a boom you will know it is one of the ghastliest things that can afflict a community. But now, a land boom in Sydney is quite impossible. You cannot persuade people to plunge into land speculation when they know very well they will have to pay taxes on the value of the land every year whether they use it or not. Since we have had rating on land values, we have been saved from the curse of a land boom and that particular outcome of our system has been brought to my attention by the keenest financial minds in Sydney.

LAND VALUE RATING HAS COME TO STAY

After our experience of the benefits of the rating of land values, we have come to the conclusion that we will not tolerate any proposal to go back to the old system. On the contrary, we are going forward. Some three or four years ago we passed an Act to authorize the building of the Sydney North Shore Bridge. Parliament almost unanimously recognized that the bridge would enhance the land values of Sydney and so the cost of the bridge is to be met by a special land value rate of $\frac{1}{4}$ d. in the £ levied in the city and contiguous municipalities. The Main Roads Act passed this year is another instance. The cost of the roads is to be paid for by a land value rate of $\frac{1}{4}$ d. in the £ in the City of Sydney and $\frac{1}{2}$ d. in the £ in the suburbs, plus the motor taxes, but the bulk of the revenue will come from unimproved land values. This is additional proof that the justice and the wisdom of land value rating are thoroughly appreciated.

Sydney and Newcastle in New South Wales and Brisbane in Queensland, the three cities that have made the most marvellous progress in Australia, all enjoy the new system of rating, while Adelaide, the capital of South Australia, under the old system makes no corresponding progress. Melbourne also has stuck to the old system and it is a remarkable fact that while Melbourne not many years ago was larger than Sydney and enjoys the advantage of being the centre of the Federal Government, it is now altogether out-distanced by Sydney. We attract to Sydney new factories and new enterprises and Melbourne is getting scared. The State of Victoria has wakened up to what is happening and recently passed an Act giving power to local authorities to rate land values. A number of them have already put the system into operation, including suburbs of Melbourne, but not yet the city of Melbourne itself.

THE GOAL BEFORE US

Our advance in New South Wales comes from a certain understanding that has found lodgment in the public mind. In our view, the land has not been given by God to any particular person. The idea that land is a common possession is established, and while we have done something to turn a part of its value into the public treasuries we will not rest content until the whole value of land is devoted to the uses of the community. We want to remove all taxation from industry and trade, not least our preposterous customs tariff which is the greatest of our handicaps. Our aim is to get rid of the Protectionist incubus, to achieve real freedom of trade and the fullest freedom to produce, knowing what material, moral and intellectual blessings Liberty has to bestow.

NOTES ON SYDNEY RATING

(From LAND & LIBERTY, June, 1925)

The Australian Tariff and the Land Tax.—While much has been achieved in New South Wales and in Queensland to put the policy of land value taxation into practice, it is clear from Mr. Firth's own review of the position that in local, State and Federal politics a long road has yet to be travelled before the advocates of the policy can cry content. The Federal Land Tax is a useless and false instrument owing to its grotesque exemption and its absurd scheme of grading the rate of tax. It calls for radical amendment before it could be,

as it never has been, entitled either in theory or practice, to the name of a land value tax. That is to say, the exemption and the grading of the tax must be abolished; then and not till then can one begin to consider how the taxation of land values would operate in the larger sphere of Federal Government. Nor may the economic effects of the Australian protectionist tariff be overlooked. They hang over all industry. By its penalties and restrictions, as Mr. Firth has explained, the tariff adds furiously to the cost of everything whether imported or produced within Australia. Land value policy, confined as it has been to local taxation, and therefore only to be spoken of as a mere instalment, has won its victories and has abundantly justified itself, despite the handicap of the tariff. That is the most notable of all the things to be recorded. It speaks volumes for the greater and far-reaching benefits the Taxation of Land Values would bring, if it displaced all the iniquitous indirect taxes that are piled on the people in the name of Protection, if it were developed beyond the comparatively narrow scope of local taxation into the domain of State and Federal economy. These are the fields our Australian co-workers have yet to conquer and, as Mr. Firth said, they have that goal before them.

Land Value Taxation for all Public Services.—In the region of local taxation in New South Wales, not to speak of other States, the reformer is still busy. All the rates collected by the municipal and shire councils are levied on land value, with only very small and negligible exceptions. There are, however, other rates, levied for the service of water and sewerage, which are imposed on the old basis of annual value of land and improvements. As it happens, these rates are collected by independent water and sewerage boards; nevertheless their existence, and their incidence as a tax on buildings, should not be disregarded. They amount to a fair sum. In the Sydney Metropolitan Area their calculated yield in 1922 was £1,371,000, whereas the land value rates collected by the municipalities amounted to £2,098,900. A vigorous campaign, headed by Mr. A. G. Huie, has been carried on throughout the Sydney area, to have these water and sewerage rates imposed on the value of land apart from improvements, in the same way as all the municipal rates are levied; and it is satisfactory to note that some ground has been gained in an Act passed this year, giving the boards the necessary power. The next step is to get them to exercise it.

Local and State Valuations.—It is important also to watch the progress of valuation in New South Wales, for with an unsatisfactory valuation there can be no talk of a satisfactory or effective land value tax. Valuations are made once every three years. Formerly the work was done by valuers employed by the local councils, but since 1916 it has been put in the hands of the State valuer-general. He has proceeded district by district and has revalued a number of shires and many municipalities, including the whole of Sydney. Unfortunately, his department has been under-staffed, and it will take some time, at the present rate of progress, before all the local valuations are under the control of the valuer-general. Meanwhile, not a few faults have been found in the local assessments, particularly in shires where values were put ridiculously low, and sometimes sections of land were not even entered in the valuation roll. The 1916 Valuation Act is therefore to be regarded as a most important step of the advance in New South Wales, showing that public opinion is concerned not only for the principle of land value taxation, but also for the sane and sound administration of the policy. In fact, the valuer-general has done his work so well as to arouse the hostility of the territorial land monopolists, who have influenced the Government, that has just been defeated, to pass an amending Act this year, giving the shires the right to substitute their own valuation for that of the valuer-general. The hope is that the new Government will at once restore the authority of the valuer-general and his department.



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