

How Victoria Adopted
**SITE VALUE
RATING**



Price: Sixpence

Foreword

The years since World War II have seen a remarkable growth in the numbers of Victorian municipalities which have abandoned local taxation of buildings and other improvements and have turned to the rating of the site-value (unimproved land value) instead for their local revenues.

By the beginning of 1962 some 49 municipalities out of 206 in Victoria had made this change. Of this number 35 had taken the step since the war.

It is now only a matter of time before all Victorian councils will have made the change and the system become universal here as it is in New South Wales, Queensland and almost all of West Australia.

This rapid recent growth makes it timely to review the steps by which ratepayers secured the right of self-determination in the system by which their rate payments are computed.

An Act had been passed on 3rd February, 1914, to provide for optional powers to make this change. This was the culmination of the efforts of many people but there was one fatal blemish. The measure was not to come into operation until proclaimed by the Governor in Council and this was not to be done until the values of land were assessed over the whole State under the Land Tax Act 1910 and available for use by municipalities. These were not forthcoming and indeed are not available from that source even today, some 48 years later. By 1919 it was evident that unless other means were provided to enable municipal councils to make their own valuations this praiseworthy Act would remain a dead letter.

To Hon. E. L. Kiernan is due the credit of introducing the small but vital measure needed, as a private member's Bill, and pressing it through Parliament with the blessing of all parties. This was indeed an achievement and it is encouraging to read the tone of the various members' speeches during the progress of the debates as recorded in the Hansard extracts which follow.

Hon. E. L. Kiernan's contribution did not cease with success in getting the vital measure carried. He followed it up with preparation of a "Catechism" for the Labor Movement in elaboration of Plank 2 of the Labor Party Municipal Platform which required that "All Municipal Taxes to be assessed on the Unimproved Value of Land. Amendment of the Local Government Act to make such rating compulsory." This was printed as a small pamphlet under the title "Workers' Homes and Municipal Taxation." It became a manual for the Labor Party and Trade Unions and played an important part in the early adoption of unimproved value rating in various municipalities when the optional powers became effective following the passage of his Bill. The points made in that catechism are still as valid today as when first presented. Their inclusion as an appendix in this booklet is timely. It is to be hoped that the new generation of those in the Labor Party movement will become familiar with this distinctive material which is their historical heritage and will carry forward the task so ably begun by Hon. E. L. Kiernan and others.

A. R. HUTCHINSON, B.Sc., A.M.I.E. Aust.

October, 1962.

General Council for Rating Reform.

L. W. Brown, Hon. Secretary,

G.P.O., Box 955G., Melbourne.

RATING ON UNIMPROVED VALUES BILL 1919

Debate in Legislative Council 19th November, 1919

From Hansard No. 20

(Bill read first time 29th July, 1919)

The Hon. E. L. KIERNAN moved the second reading of this Bill. He said — This Bill should not require a great deal of discussion. Its object is to amend the Rating on Unimproved Values Act 1915. That Act contained one section which has prevented municipalities taking advantage of it. Section 4 provides—

This Act may be adopted as herein-after provided but only in municipalities as to which the Governor in Council, by Order published in the *Government Gazette*, has notified that valuations of land made by assessors under the Land Tax Act 1915, or any Act thereby repealed, are available for adoption for the purposes of this Act or any Act hereby repealed.

Unfortunately, the conditions imposed by that section have never been fulfilled. The Government have never been able to notify in the *Government Gazette* that valuations under the Land Tax Act are available for adoption. Until that is done municipalities are prevented from adopting the system of rating on unimproved values. Four years have gone by since the Act was passed, and as far as I can understand, it will still be impossible for some time to make available the valuations under the Land Tax Act so that municipalities desirous of adopting the system may do so. In this Bill it is provided in clause 2—

Notwithstanding anything in section 4 of the principal Act, the principal Act may be adopted in any municipality although an Order has not been made under that section notifying that valuations are available for adoption by that municipality.

That means that if municipalities desire to adopt this system of rating they may do so without waiting any longer for the land tax valuations. The Bill goes on to provide how valuations are to be made. It will permit the municipalities to have valuations made by local valuers. Of course, the principal Act did not allow that. The only other clause that I need to refer to is clause 5, which provides—

Notwithstanding anything in this Act, if (after the adoption of the principal Act in any municipality under the powers conferred by this Act and before such adoption is rescinded) an Order is made under section 4 of the principal Act notifying that valuations are available for adoption by that municipality, then all rates thereafter made and levied by that municipality so long as the adoption of the principal Act has not been rescinded shall be made and levied as provided by the principal Act instead of as provided by this Act.

That means that under this Bill the municipalities can adopt their own valuations. Immediately the Government carry out the conditions of section 4 of the principal Act, and state that valuations are

available, the Government valuations will then apply automatically.

The Hon. J. D. BROWN.—Do any municipalities desire it?

The Hon. E. L. KIERNAN.—Yes. The principle has already been agreed to in a measure passed by this House some years ago.

The Hon. W. A. ADAMSON.—Do you adopt the Government valuations as far as they have gone?

The Hon. E. L. KIERNAN.—Unfortunately it is not possible for the municipalities to adopt the Government valuations as far as they have gone. They must wait until the valuations are complete and have been gazetted. But immediately the valuations are available, automatically those valuations will apply. Of course, only those municipalities who desire to do so will adopt this measure. It is not compulsory, but permissible. If there is any municipality that does not wish to take advantage of the measure, it need not do so. The municipalities have not been able to take advantage of the Rating on Unimproved Values Act, because section 4 has blocked them

the whole time. If they wish to go on with their valuations under this measure, they will be able to do so.

The Hon. A. ROBINSON (Attorney-General).—The position is very much as stated by Mr. Kiernan. The valuations of the Land Tax Department are not available under the Land Tax Act for some considerable time. A number of municipalities have petitioned the Public Works Department for a measure of this kind, and at the last conference of the Municipal Association a resolution was passed in favour of the system proposed. Both Houses of Parliament having accepted the principle of optional voting, it seems only reasonable that, owing to the difficulties that have arisen, this measure should pass.

The Hon. D. L. McNAMARA.—I desire very briefly to support the Bill. A couple of years ago I went extensively into the question of how the unimproved rating would compare with the present system, and I have here a table dealing with the whole of the metropolitan municipalities as far as their present system of rating is concerned.

| Municipality. | Annual Value of Property under present system, 1916-17. | General Rate on Annual Value (vide Municipal Directory). | Estimated Revenue from General Rate for 1916-17. | Estimated Unimproved Value of Lands for 1916-17 (vide Return by State Statist). | Rate in £1 on Unimproved Value to raise Revenue equal to Present General Rate. | Estimated Revenue from Rate on Unimproved Value of Lands, as per Rate shown in previous Column. |
|-----------------|---|--|--|---|--|---|
| CITIES | £ | s. d. | £ | £ | in the £ | £ |
| Brunswick .. | 274,801 | 2 4 | 32,060 | 2,748,010 | 3d. | 34,350 |
| Camberwell .. | 317,949 | 2 0 | 21,790 | 2,179,490 | 2½d. | 22,703 |
| Caulfield .. | 287,484 | 2 3 | 33,342 | 3,393,080 | 3d. | 36,163 |
| Collingwood .. | 276,121 | 2 0 | 27,612 | 2,301,008 | 3d. | 28,762 |
| Fssendon .. | 247,945 | 2 0 | 24,794 | 2,479,450 | 2½d. | 25,828 |
| Fitzroy .. | 341,131 | 1 8 | 28,428 | 3,059,325 | 2½d. | 28,682 |
| Footscray .. | 222,645 | 2 4 | 25,925 | 2,226,450 | 3d. | 27,831 |
| Hawthorn .. | 289,854 | 2 0 | 28,985 | 2,898,540 | 2½d. | 30,193 |
| Malvern .. | 305,155 | 2 3 | 34,329 | 3,051,550 | 2½d. | 34,965 |
| Melbourne .. | 2,240,681 | 1 2 | 130,706 | 22,406,810 | 1½d. | 140,042 |
| Northcote .. | 171,371 | 2 3 | 19,279 | 1,713,700 | 3d. | 21,421 |
| Prahran .. | 612,938 | 1 9 | 53,632 | 3,677,628 | 3½d. | 53,632 |
| Richmond .. | 326,028 | 2 1 | 33,961 | 2,934,252 | 3d. | 36,678 |
| Sth. Melb. .. | 480,766 | 2 0 | 48,076 | 4,832,850 | 2½d. | 50,342 |
| St. Kilda .. | 391,540 | 2 0 | 39,154 | 2,349,240 | 4d. | 39,154 |
| TOWNS | | | | | | |
| Brighton .. | 187,389 | 2 3 | 21,081 | 1,873,890 | 2½d. | 21,472 |
| Coburg .. | 95,090 | 2 3 | 10,698 | 713,175 | 3½d. | 10,400 |
| Kew .. | 136,609 | 2 1 | 14,230 | 1,024,417 | 3½d. | 14,939 |
| Port Melb. .. | 99,200 | 2 3 | 11,160 | 619,375 | 4½d. | 11,613 |
| Williamstown .. | 122,000 | 2 3 | 13,775 | 979,200 | 3½d. | 14,280 |
| BOROUGHS | | | | | | |
| Oakleigh .. | 40,399 | 2 3 | 4,545 | 403,890 | 3d. | 5,049 |
| Sandringham .. | 89,000 | 2 0 | 8,900 | 770,380 | 3d. | 9,630 |
| SHIRE | | | | | | |
| Preston .. | 60,150 | 2 3 | 6,767 | 785,946 | 2½d. | 7,368 |

The measure is purely of an optional character, but it will give the municipalities power to use a system of rating which is very popular in almost every other State in Australia, and also in New Zealand. Nearly 90 per cent. of the municipalities of New Zealand now use this system, although it is optional. Where a ballot has been taken on the question of reversion to the old system, it has in every case been a failure. That shows the popularity of the system.

The Hon. W. L. BAILLIEU.—The Bill is optional and permissive, and for the life of me I do not see why it should not become law, and become law this session. I hope the Bill will get through another place and find its way to the statute-book.

The Hon. K. KENDELL.—Under the Local Government Act the number of votes a ratepayer is entitled to is based on the amount of rates he pays. Suppos-

ing you have the unimproved value, will the ratepayers' roll be prepared on those grounds? If in connexion with all the allotments along a certain street the unimproved value is taken, they will bear about the same rate, and a man who has spent £20,000 on his allotment and who has a big business there will have no more voting power than the man who has not spent a penny, but simply has an allotment. This is a question that certainly is likely to crop up. I have no desire to oppose the Bill, because it is optional, and it seems to me that the ratepayers themselves should say whether they are likely to suffer in any direction by adopting this policy.

The Hon. W. A. ADAMSON.—I do not think the point raised by Mr. Kendell worthy of consideration. When I was Minister of Public Works, representatives of the municipality of Essendon came to see me on this question. They were desirous of adopting the system. They said, "We have to pay so much for the valuation cards. It comes to a good deal of money." They asked me to allow them the use of the cards. I said I should be glad to help them. The thing was still in abeyance when I left, but I know that fifty valuations never materialized. I think the Bill is in the right direction, and the House should support it.

The Hon. A. BELL.—I support the Bill heartily. It will, I think, meet with the concurrence of every municipal council. In answer to Mr. Kendell, I would say that we are not so much concerned about the voting power of the owner. The man who has spent £20,000 on improving his property has done well for the whole neighbourhood. The man who does not improve his property is only assessed on the annual or capital value, while the man who has spent £20,000 in improving his property is assessed on the rental. The assessment that obtains at the present time is a most unfair one. The Bill is only optional, and if the valuations had been gazetted three or four years ago I have no doubt a majority of the municipalities would have adopted this proposal.

The Hon. W. J. BECKETT.—With reference to the point raised by Mr. Kendell, I would point out that under sub-section (4) of section 14 of the principal Act the rights, &c., dependent on the value of properties are preserved. The voting power remains practically the same as before.

The Hon. W. KENDELL.—I am perfectly satisfied.

The motion was agreed to.

The Bill was then read a second time, and afterwards passed through its remaining stages.

pleted for any council to adopt the principle of rating upon the unimproved value of land. Now, it has been found that this matter

has been indefinitely postponed, and in order to meet the position that has arisen, a Bill was introduced in another place, and it met with the unanimous approval of that Chamber. The Bill gives power to municipalities to adopt the principal Act although an order has not been made notifying that valuations are available for adoption by that municipality Sub-clause (1) of clause 3 reads—

Where the principal Act has been adopted in any municipality under the powers conferred by this Act, and so long as the adoption has not been rescinded, all rates made and levied by the municipality shall be made and levied in respect of rateable property on the basis of the unimproved capital value thereof.

The effect is that any municipality today can, under certain orders which existed in connexion with the original Act, apply the principle of rating on the unimproved value if it chooses to do so. In introducing the measure, it will be as well for me to state the kind of reception it received in another place. Mr. Kiernan introduced the Bill.

Mr. LAWSON.—I understand that the measure does not interfere with the option of the municipalities to adopt the method proposed, or not.

Mr. PRENDERGAST (Leader of Labour Party).—That is so. As I have said, Mr. Kiernan introduced the Bill. As he is a Labour man, I will not quote his speech. I prefer to take the views of the other side. Mr. Robinson, the Attorney-General, said—

The position is very much as stated by Mr. Kiernan. The valuations of the Land Tax Department are not available, and they cannot be available under

the Land Tax Act for some considerable time. A number of municipalities have petitioned the Public Works Department for a measure of this kind, and at the last conference of the Municipal Association a resolution was passed in favour of the system proposed. Both Houses of Parliament having accepted the principle of optional voting, it seems only reasonable that, owing to the difficulties that have arisen, this measure should pass.

Mr. McNamara supported the Bill. He is a Labour member. Mr. Bailieu, the unofficial leader, said—

The Bill is optional and permissive, and for the life of me I do not see why it should not become law this session. I hope the Bill will get through another place and find its way to the statute-book.

Mr. Kendell said—

I have no desire to oppose the Bill, because it is optional, and it seems to me that the ratepayers themselves should say whether they are likely to suffer in any direction by adopting this policy.

Mr. Adamson said—

When I was Minister for Public Works, representatives of the municipality of Essendon came to see me on this question. They were desirous of adopting the system. They said, "We have to pay so much for the valuation cards. It comes to a good deal of money." They asked me to allow them the use of the cards. I said I should be glad to help them. The thing was still in abeyance when I left, but I know that fifty valuations never materialized. I think the Bill is in the right direction, and the House should support it.

Mr. Bell said practically the same thing. In the course of his speech he said—

The Bill is only optional, and if the valuations had been gazetted three or four years ago I have no doubt a majority of the municipalities would have adopted this proposal.

Mr. Beckett supported the Bill. He is a Labour member, so I will not quote his remarks. *Hansard* states that—

Debate in Legislative Assembly 23rd December, 1919 From Hansard No. 27

Mr. PRENDERGAST moved the second reading of this Bill. He said—Some years ago it depended upon certain valuations being com-

The motion was agreed to. The Bill was then read a second time, and afterwards passed through its remaining stages.

I appeal to the House to accept this measure on the strength of the testimonial of those gentlemen who spoke in its favour in another place. It only introduces the system of optional rating upon unimproved values.

Mr. LAWSON (Premier).—The Government gives this measure its blessing, and will be glad if honorable members will allow it to be placed on the statute-book. It passed through another place without opposition. The principle has been affirmed for years, but there have been difficulties in the way of carrying it into effect. The Bill leaves it entirely optional with the municipalities as to whether or not they apply the principle, but we ought to carry this measure in order to make effective a principle we have already affirmed.

Mr. MCGREGOR.—I desire to know in what position the municipalities will be. I understand that they have power to introduce this system of voting, but there is some difficulty in regard to the valuations. I understood that the Premier intended to make the position clear last session. I know that the municipality at East Ballarat will adopt the principle if they can arrive at some satisfactory system of valuation. I thoroughly indorse the principle.

Mr. BAYLES.—Beyond giving the measure his blessing, the Premier has given the House no information regarding the Bill. We are at the end of the session, and we are asked to pass this new

principle into law without one word of explanation.

Mr. MCGREGOR.—We did recognise the principle before.

Mr. BAYLES.—The municipalities have power to use for rating purposes the valuations under the Land Tax Act if they so desire.

Mr. SLATER.—We found that to be impracticable.

Mr. PRENDERGAST.—The valuations are not likely to be ready for years. The gentleman who introduced this measure in another place stated — “Under this Bill the municipalities can adopt their own valuations. Immediately the Government carries out the provisions of section 4 of the principal Act and states that valuations are available, the Government valuations will then apply automatically. This Bill is only a tentative measure.”

Mr. BAYLES.—It is most amusing to hear the Leader of the Opposition, after calling members of another place all sorts of names, tell us that, because those honorable gentlemen have passed this measure, we ought to accept it. Why should we accept the Bill? Honorable members make enough noise when another place will not accept Bills from this House. I object to this measure being foisted on us by another place at this hour of the session when there is no opportunity for proper discussion. I do not know why the measure was brought forward.

Mr. LAWSON.—I have a number of circulars from municipalities asking that this measure be put through. We only require the indorsement of this Bill to render effective the principle which this

House has already affirmed, namely, the optional rating on unimproved values by municipalities. We created in the principal Act machinery to enable that to be done, but owing to the delay in the valuations and the absence of an Order in Council that has not been practicable. This Bill will make it practicable notwithstanding the absence of an Order.

Mr. LAWSON.—The Leader of the Government in another place also promised that opportunity would be given for the discussion of this Bill in this House.

Mr. BAYLES.—I do not care what he promised; that has nothing to do with me. I have often heard the Leader of the Opposition tell this House, with fire in his eyes and rage in his voice, what he thought of another place when it did not agree with one of his pet projects. I object to Bills being rushed in at the last moment. The present Government is the worst I have known for that kind of thing. Is it fair that such a Bill should be brought before the House when honorable members are weary? The Premier says that one of the reasons for bringing the measure forward is that he has been bombarded with circulars.

Mr. LAWSON.—I did not state that as one of the reasons, but rather as evidence of public interest in the matter.

Mr. BAYLES.—Neither of the municipal councils in my electorate has conveyed to me any opinion of the Bill. Personally, I think that the measure should not be passed at this stage of the session. I had some information in regard to it, but it was listed No. 18 on the

business-paper, and I did not dream that it would be brought on to-night. I asked the Premier last night what measures he intended to proceed with, and he did not mention this one.

Mr. LAWSON.—It is not my Bill.

Mr. BAYLES.—It is not mine either. It is not fair to us to bring the Bill on at this late hour of the session.

Mr. WARDE.—This measure is purely optional.

Mr. LAWSON.—There is nothing compulsory about it.

Mr. BAYLES.—The honorable gentleman finds that some further explanation is necessary. He merely put up the proposition before that the Bill should go through.

Mr. ANGUS.—This Bill has come from another place, and we know what we heard in this House the other day about the members of another place. I think that should make us hesitate to accept the measure. I should like to hear the opinion of the Premier and the opinion of the Leader of the Opposition on the Bill.

Mr. SLATER.—They have both spoken.

Mr. ANGUS.—I am in doubt as to the reasons for the introduction of the Bill at this hour of the session. The municipalities have already the power to rate on the unimproved value of land.

Mr. LAWSON.—The principle is affirmed by that measure, but owing to the delay in getting valuations in the Lands Tax Office the municipalities cannot operate that measure. This will enable them to make their own valuations.

Mr. ANGUS.—That is all I wanted to know.

The motion was agreed to.

The Bill was read a second time, and committed.

Clause 1 was agreed to.

Clause 2—

Notwithstanding anything in section 4 of the principal Act, the principal Act may be adopted in any municipality although an order has not been made under that section notifying that valuations are available for adoption by that municipality.

Mr. James MENZIES.—Section 4 of the principal Act states that—

This Act may be adopted as hereinafter provided, but only in municipalities as to which the Governor in Council, by order published in the *Government Gazette*, has notified or notifies that valuations of land made by assessors under the Land Tax Act 1915, or any Act thereby repealed, are available for adoption for the purposes of this Act or any Act hereby repealed.

Clause 2 proposes to get rid of that provision. I should like to be perfectly certain that this is not a proposal to get by stealth what could not be got by orderly procedure, and that it is not an attempt to force on the municipalities, through lack of alertness on their part, a system that they might be reluctant to adopt.

Mr. LAWSON (Premier).—Under the section of the Act that the honorable member has read the valuations have to be made by the Land Tax Office and then, by Order in Council, it has to be declared that the valuations have been completed for the municipality. That is a condition precedent to the municipality being able to adopt the rate on the unimproved value. The valuations have not been completed in some cases.

Mr. MENZIES.—What valuations?

Mr. LAWSON.—Under the Land Tax Act. This Bill enables municipalities to adopt the provisions of that part of the Act, notwithstanding that the order has not been made, and to make their own valuations.

Mr. BAYLES.—They have to go to the expense of new valuations?

Mr. LAWSON.—They have to do that now. The Bill brings into operation the provisions of the Local Government Act as to valuations. It is a matter entirely for the local authorities, who can say whether they will adopt the principle or not. They can go on the basis of the Local Government Act, or adopt an unimproved land value. They cannot sneak the change in by ordinary resolution; there has to be a special order, and they have to comply with section 5 of the Act by giving two months' notice in the newspapers, which, when I was a municipal councillor, used to mean that a resolution had to be passed and confirmed a month later. There is ample opportunity for due publicity, and for the ratepayers to make objections. The Bill leaves the functions of local government in the hands of the respective municipalities.

Mr. MENZIES.—Will it not lead to two different sets of valuation on unimproved land, if we depart from the valuations which are supplied and are supposed to be reliable?

Mr. LAWSON.—The municipalities can apply for the land tax valuations to be adopted, and in some cases they have been adopted. The Bill enables municipalities inde-

pendently of the Government to adopt the principle if they wish.

Mr. James MENZIES.—Have you a single case in which a shire valuer has valued on the unimproved land value basis?

Mr. LAWSON.—I do not know, but I should imagine there are cases. Under existing circumstances the valuer has to assess the capital value, and the annual value, and he assesses the latter on the capital value basis. In addition to making that valuation he will make out an unimproved valuation.

Mr. MENZIES.—Does he assess now on the annual value?

Mr. LAWSON.—On the capital value, and having arrived at that, there is the basis set out in the Act on which the annual value is determined.

Mr. McLEOD.—There seems no justification for the Bill, because, as I say, in another year, the land tax valuations may come into force.

Mr. PRENDERGAST.—Not in half-a-dozen years.

Mr. McLEOD.—About three-fourths of the valuations are completed now, and with this Bill there may be one set of valuations by the land tax valuer and another set by the valuer of the municipality. All this is likely to create friction and uncertainty later on.

Mr. MACKEY.—I hope the House will accept this Bill, because I regard it as one of the most valuable that ever came before us. The principle has been on the statute-book for many years, and municipalities have the option to exempt improvements from taxation. There is nothing revolution-

ary about the Bill. We lately had before us the Housing Bill to give the workers an opportunity to own their own homes. So long as a block remains vacant it goes practically free of rates, but directly it is taken over by the bank for the purposes of that measure the workers will be called upon to pay about three times as much taxation. At present a penalty is inflicted on a man who improves his land. This is a positive scandal, as I have seen in Gippsland, where land in an unimproved condition pays comparatively no taxation, whereas directly a man, by the sweat of his brow, clears it, the rates go up twofold and threefold.

AN HONORABLE MEMBER.—It is taxing industry.

Mr. MACKEY.—Absolutely, and to that extent discouraging it. Much has been said about duplicate systems of taxation, but under the existing law a municipality can adopt the system of exempting improvements. To do so, however, they must go to the Land Tax Office, and apply there for a scheme of rating on the unimproved value. The Department cannot supply a scheme today, and, therefore, the municipality cannot exercise the powers that Parliament meant to confer. We do not know when the municipality may be able to get a scheme — it may not be for many years. The Land Tax Office has been in operation since 1910, and not to any municipality can it supply a scheme of land values apart from improvements. It may be another ten years before the Land Tax Department will be able to supply a scheme, and this Bill is an interim measure.

All it provides is that, until the Land Tax Department can supply a scheme of rating on unimproved values, a municipality may make its own unimproved values. When the Department can supply a scheme it will be automatically adopted. There are not two schemes in operation, for when the one is ready the other must give way. The Bill will prove beneficial, especially to workers and to the man in the country who improves his land. If new industries are started in Melbourne, involving the erection of new buildings, the municipality which does not adopt this system of rating will have little chance of sharing in the development. Under the present system, if a large factory is erected, the result is heavy rating, whereas the system contemplated by the Bill means an exemption of improvements, which are the greater part of the value.

Mr. MENZIES. — Municipalities have to get their rates somewhere, and what difference does the Bill make?

Mr. MACKEY.—The man who improves his property today is exceptionally rated, while the man who leaves his property alone goes practically free. This the Bill will prevent. It is the general rule. If a house is burnt down, and the owner does not rebuild, his taxation is reduced to about one-third. Then, the man who leaves his land in the country as a harbour for vermin is relieved from rating, but directly some one clears the place rating is imposed. Our present rating system is rudimentary and a reflection on the competence of Parliament. The Municipalities have been nominally given the

power, but not the machinery, which is supplied by this Bill.

Mr. BAYLES.—The honorable member is talking of the principle.

Mr. MACKEY.—There is no new principle in the Bill, which is simply designed to provide the machinery for carrying an adopted principle into practice.

Mr. MENZIES.—Where is that in the Bill?

Mr. MACKEY.—In clause 5.

Mr. SLATER.—The borough of Hamilton is very desirous to put into operation the provisions of the original Act. The council has unanimously passed resolutions to that end time after time, and has adopted the land tax valuations. Both my predecessor and myself have been urged to induce the Government to introduce a Bill of this kind. Not very long ago I had the pleasure of meeting a committee of the Hamilton Borough Council on the question, and it is a fact that in the main streets of the town people hold valuable blocks of land for merely speculative purposes.

Mr. SNOWBALL.—They are paying some rates.

Mr. SLATER.—Nominal rates, while others who have built storages and shops are heavily taxed. Not long ago, at the request of the Hamilton Council, I asked a series of questions in this House on the subject, and I cannot understand the opposition of some honorable members to this Bill. I venture to say that the majority of the municipalities in the State are behind the Government in the passing of this measure, and are desirous of adopting the principle

that has already been placed on the statute-book.

Mr. BAYLES.—How many municipalities?

Mr. SLATER.—I could not say offhand, but many municipalities have adopted resolutions in favour of the adoption of this system. In 1917 a series of questions were asked in the House of Sir Alexander Peacock, and Sir Alexander Peacock admitted that quite a number of municipalities had passed a resolution in favour of this system.

Mr. PRENDERCAST.—The Municipal Conference was unanimously in favour of it.

Mr. SNOWBALL.—I trust the Committee will accept this Bill. Years ago Parliament adopted the principle of allowing any municipality that desired it to assess their rates on the unimproved values, but they placed the condition upon their so doing that they should obtain these unimproved values at the Land Tax Office. It was expected at that time that within a year or two the unimproved value information would be available, and it was desired to have uniformity achieved in that way. We find that these municipalities have been held up for eight or nine years through the delay of the Land Tax Office. I think the Government were justified in expecting that the House would pass this measure without delay. We are affirming no new principle. We have the principle already lying dead on that statute-book through the unexpected delay in the Land Tax Office. I think the valuations obtained in the way suggested by this Bill are more likely to be a test of the value of land than the

valuations of the Land Tax Office, because we know that those valuations are obtained in haphazard fashion. The valuers are, as it were, paid by the dozen for the valuations obtained. The system we have at present is retarding advancement and progress. A case came under my notice yesterday in Elsternwick, where a man came round and valued a person's property for municipal purposes. It was valued at about £1,400 by the Crown valuator. The valuator said, "The reason it is not valued higher is that you have not yet made your garden. As soon as you get the summerhouse completed and the garden made, your taxation will be increased." Progress is being retarded by the system now in existence.

Mr. BAYLES.—Is it not the cost of building?

Mr. SNOWBALL.—I do not think so. Many improvements are carried out on a man's property after the place has been built. A man is pleased to spend money on improvements, but he is afraid to do so at present, because the municipal valuator comes along, and when improvements are made, the valuation goes up. I believe the Bill will be of value because it will enable the municipal councils to carry out their desire. Parliament agreed to facilitate the system ten years ago, when they incorporated in the Local Government Act the power to assess on unimproved values.

Mr. PRENDERCAST.—I did not dream that the principle contained in the Bill would be opposed in this House. I thought it would be impossible to go into any House of

Parliament and hear a principle which demanded acceptance as urgently as this one does meeting with opposition. To-day, if the owner of property improves his land, the valuer increases the valuation because of the improvements. The person who does not improve his land escapes scot free. Under the system proposed by this Bill that will not take place. The man who owns land will be compelled to improve it in order to make his land more valuable. The principle of rating on unimproved values has been adopted by the municipalities of New South Wales, New Zealand, and Queensland. In those States, in which municipalities have power to rescind the system, only two or three have asked for it to be rescinded, and later they have requested that it be restored. This is a reform with which all classes can agree. To-night I considered that the best argument I could advance in favour of the Bill would be the opinions expressed, not by members of my own party, but by our political opponents. I quoted the Honorable A. Robinson, who stated that the land tax valuation cannot be available for some considerable time, and the Honorables W. L. Baillieu, W. Kendell, W. A. Adamson, A. Bell, and three members of the Labour Party, all of whom spoke in its favour. The Bill was then read a second time and passed through its remaining stages in another place without opposition. If we register tonight the principle accepted by another place, the Bill will become law. The Rating of Unimproved Values Act of 1915 provided that the council should have power to

adopt this system of rating, but that one-tenth of the ratepayers could demand the taking of a poll. The same principle applies to this; but we provide that where none of the valuations are prepared the council may adopt its own valuation, which, however, will automatically cease to operate when the State valuations are available. If this Bill is rejected tonight the measure will be deferred until next session. I appeal to honorable members to allow the Bill to pass. It is not a party measure, as I proved by quoting the remarks of gentlemen in another place.

Mr. RYAN.—It is a great surprise to me that, in a progressive State like Victoria, rating on unimproved values is not in operation. No legislation will do more to solve the housing problem than will the taxation of unimproved values. At Ascot Vale there is a continuous stream of people looking for homes.

Mr. BAYLES.—You think that the position will be any different if we adopt rating on the unimproved values?

Mr. RYAN.—I do. An improvement has followed wherever the system has been adopted. It becomes unprofitable for the speculator to hold unimproved land, so he builds on it. In Pascoe Vale there are hundreds of acres of vacant blocks. I have been informed that the blocks were bought by workmen, in the expectation that a train service would be provided, but when that service was not forthcoming the land fell back into the hands of speculators, who are waiting for improvements of communication to be provided. We

do not require any evidence more convincing than the fact that this system of valuations has been adopted by nearly every State in the Commonwealth and every municipality in New Zealand. Vacant blocks held for speculation require the same expenditure on roads, footpaths, water supply, sewerage, telephones, and other conveniences as do the improved blocks. The moment we increase these values the vacant block gets all the advantage, but the man who improves the property has to pay taxation.

The clause was agreed to.

Clause 3—(Provision as to valuations, rates, &c., on adoption pur-

suant to this Act).

Mr. McLEOD.—Honorable members appear to be discussing this measure on the assumption that if the councils adopt rating on the unimproved value they will get the same revenue. But that is not so, for they will have to put on other rates to get the revenue they require.

The clause was agreed to.

Clauses 4 and 5 were agreed to.

The Bill was reported without amendment, and the report was adopted.

On the motion of Mr. PRENDERGAST, the Bill was then read a third time.

APPENDIX A

WORKERS' HOMES AND MUNICIPAL TAXATION

**A CATECHISM on Plank 2 of Labor's Municipal Platform.
All Municipal Taxes to be assessed on the UNIMPROVED
VALUE OF LAND.**

**Amendment of the Local Government Act to make such
rating compulsory.**

By

E. L. KIERNAN, M.L.C.

This small Catechism was originally published in the "Labor Call." It deals almost solely with the question whether the adoption of Municipal Rating on the Unimproved Value of Land would reduce the taxation on workers' homes. To this question the worker naturally requires an answer. No matter how forcibly it is shown that the present system causes land speculation and land boomers, slums, and high rents, less work and higher prices — no matter how true it is that Rating on Unimproved Land Values

would open to the masses land now locked in idleness, would stimulate building, and increase production, would mean more work, more homes and lower rents — the reform would still lack enthusiasm if its adoption would mean increased taxation on workers' homes. But, fortunately, the masses have nothing to lose and everything to gain by Land Values Taxation.

The Catechism is now revised and published in booklet form in the hope that it will remove mis-

conceptions, and help to stir the workers to a more active interest in a question that vitally affects them.

Land is as necessary to existence as the air we breathe; and, so long as the few are allowed to control its use for the exploitation of the many, for just so long must the many continue to be economically in a state of slavery.

The first rung of the ladder of economic emancipation is the solving of this great question. With-

A CATECHISM on Plank 2 of Labor's Municipal Platform

Can this Plank be put into operation?

Yes. Municipalities in Victoria may now adopt the system of Rating on Unimproved Values.

What is the Unimproved Value of Land?

Unimproved Value is the value attaching to land, irrespective of any improvements effected by the owner. It is the value given to the land by the community, and rightly belongs to the community.

What is the essential difference between Rating on Unimproved Land Values and the old system of Municipal Rating?

The old system is mainly a tax on improvements, such as buildings, fencing, orchards, vineyards and general farming improvements. All such improvements would be exempt under Unimproved Land Values Rating.

out this first step other reforms are almost valueless — mere make-shifts which can never lift the masses from the quicksands.

If this booklet succeeds in inducing even a small section of the great Labor Movement to concentrate upon securing the adoption of Plank 2 of Labor's Municipal Platform, it will not have been published in vain.

E. L. KIERNAN.

State Parliament House,
Melbourne.
1/1/1921.

Is Municipal Rating on Unimproved Land Values an untried principle?

Certainly not. It is in force throughout New South Wales and Queensland, and partly in S. Aust., W. Aust., New Zealand, Canada, and South Africa.

Is there any instance of a municipality in Australia going back on this principle after once adopting it?

No.

But are not Land Values created by the landowners, and is it just to tax Land Value only?

Land Values are not created by the landowners, but by the labor, and energy, and industry of the people; and they should be regarded as a public fund, to be drawn upon for public purposes.

What is the Unimproved Value of the land privately owned in Australia?

In 1915, at the War Census, on estimates made by Mr. Knibbs, it was about

£500,000,000. It would be more today. This enormous value has been created by the community and rightly belongs to the community. It should be remembered that about 2,000,000 adult workers in Australia, who contribute to the creation of these Land Values, possess no land. Foolish and iniquitous legislation has placed these Communal Values in the hands of private "landowners." Wise legislation can alter that.

How can the masses get back a little of these Land Values?

One step is the assessing of Municipal Taxation on the Unimproved Value of Land.

Can Taxation on Land Values be passed on to the Worker?

A special merit of Land Values Taxation, as compared with most other forms of taxation, is the fact that it cannot be passed on. All Economists are agreed upon this. How, for instance, can the vacant lot holder pass it on? The whole tendency of Land Values Taxation is to force land into use—to promote the erection of more and better buildings. Thus, more lands and more buildings would be competing for tenants, and rents must therefore tend downward. While under the present system the landlord can and does pass on increased Municipal Taxation; he could not possibly do so under Taxation of Unimproved Land Values.

Would rating on Unimproved Land Values encourage slums?

Certainly not. The agony of the slums is with us now, under the present system. Slums are

the product of Land Monopoly. People do not live in them from choice. The present system encourages the "vacant lot," and discourages improvements. This means fewer and worse homes to choose from, and higher rents.

Would Municipal Rating on Unimproved Land Values reduce the taxation on Workers' homes?

Undoubtedly. Under the present system the workers have been paying more than their fair share of Municipal Revenue.

Why is it that Rating on Unimproved Values would reduce the taxation on Workers' homes?

Because the more highly improved a property in proportion to its land value, the more it will benefit as improvements become exempt, and only the land value is taxed. Workers' homes are more highly improved, in proportion to land value, than wealthier properties. To quote Mr. Knibbs: "Improvements represent a much larger proportion of the total value in the case of small properties than in the case of those of greater value." And so small properties would pay less under Unimproved Land Values Taxation.

If Taxation on Workers' homes is reduced, would not this benefit only the landlords?

No. Of the private houses in Victoria about 50 per cent. are owned by the occupiers.

But what of the other half owned by landlords?

The tenant may not benefit immediately, but eventually he must. At the very worst a re-

duction in the landlord's rates offers no excuse for him to increase rents, even if he hesitates to reduce them. But Rating on Unimproved Values stimulates the use of land and encourages building in two ways:— 1st, by the fact that improvements are not taxed; 2nd, increased taxation on idle lands compels it to be put to use. And, as an increase in the number of houses must mean a fall in rents, tenants will ultimately

benefit.

Do statistics show that small properties are more highly improved in proportion to their land value than larger properties?

Yes. The tables prepared by Mr. Knibbs (from the Wealth Census as at June 30, 1915) prove it incontestibly for every State in the Commonwealth.

Take Victoria: The ratio of Unimproved to Improved Capital Value in Victoria is shown to be as follows:—

| On properties with an Unimproved Value less than £100. | Improvements represent 72.27 per cent., or about three times the Unimproved Value of the Land. |
|--|--|
| £100 and under £200, 66.71% | — More than twice the Unimproved Value of the Land. |
| £200 and under £300, 64.27% | — Nearly twice the Unimproved Value of the Land. |
| £300 and under £400, 62.27% | — About 1½ times the Unimproved Value of the Land. |
| £400 and under £600, 59.79% | — About 1½ times the Unimproved Value of the Land. |
| £600 and under £1000, 56.00% | — About 1½ times the Unimproved Value of the Land. |
| £1000 and under £5000, 47.67% | — Less than equal the Unimproved Value of the Land. |

Note the consistent fall in the ratio of Improvements as the Unimproved Value increases. Could anything more clearly demonstrate how the smaller properties would benefit from the Exemption of Improvements from Taxation?

Can concrete instances be given proving that Workers' homes would pay less if Municipalities adopted Unimproved Land Values Rating?

Very readily. But let us first look at the general relationship of Land Values to Capital Value.

In "skyscraper" New York, Unimproved Land Value is

estimated at about 46 per cent. of the Capital Improved Value.

Mr. Knibbs estimates the Unimproved Value of Land in Victoria at 47.56 per cent. (nearly half) of the Capital Improved Value.

The Victorian Government Statistician says:—"Unimproved Value is estimated at half in the case of urban, and two thirds in the case of rural properties, which are about the proportions found to prevail in New Zealand."

Now, let us assume the worst case. Suppose that in, say, Collingwood and Richmond the Unimproved Value is only equal

to 33 per cent. of the Capital Value, and that these municipalities adopt Unimproved Rating (raising the same revenue from the Unimproved Value as they formerly did from land and improvements) the mathematical result would be as follows:—

All properties whose improvements were just *twice* the land value would pay *the same* tax as before.

All properties whose improvements were *less than twice* the land values would pay *more* taxation than formerly.

All properties whose improvements were *more than twice* the land value would pay *less* than before.

Now look at Mr. Knibb's figures and notice how Workers' homes would come under the last category.

Give some examples of how Workers' homes in an industrial suburb would fare?

Take a house in a residential street in Richmond:—16 feet frontage at £4 per foot = £64 Land Value. If the owner of this allotment has a house upon it worth £128, he need not worry. It is hard to imagine any dwelling of such a low value as £128. But every dwelling worth more than £128 on land of an Unimproved Value of £64 would pay less under the reformed method.

Take another street, a home, say, 33 feet frontage at £5 per foot = £165 Land Value. To benefit by reduced rates this owner has only to be sure his house is worth £330.

Now take a business street, Bridge Road, say:—

16 feet frontage at £75 per foot = £1,200 Land Value. To save extra taxation, the improvements on this block would require to be worth £2,400.

Take Swan Street, another business centre:—

50 feet frontage at £100 per foot = £5,000 Land Value. A £10,000 building on this site would just save the owner from increased taxation.

Now take a business centre of Collingwood, Smith Street:—

A draper's shop, 132 feet frontage at £150 per ft. = £19,800 Land Value. Before this firm would benefit by Rating Reform, the premises thereon would require to be worth £39,600.

The above examples conclusively prove that the worker has nothing to fear from the adoption of Unimproved Rating.

But would Unimproved Rating also mean that factories would pay less rates?

In many cases, yes. But so long as the worker is benefited, why should he object to others benefiting also? And if other properties besides the Workers' homes are to benefit, surely it should be the factories which help in the production of wealth rather than that land speculators and others who are non-producers should reap the benefit. Reduced Taxation on factories will encourage new industries, more competition and greater production, which the policy of Protection is intended to do. What better form of Protec-

tion could be given our Australian industries than to reduce the cost of production and help our industries to compete against the world; a form of

THE LAND SPECULATOR

The land he buys—he does not need.

He buys for profit—not for use.

He buys to reap—where others sow.

The more they sow—the more he reaps.

The more they work—the more they're taxed.

The less he does—the less he's taxed.

The less he's taxed—the more he'll speculate.

The more he speculates—the dearer the Land.

The dearer the Land—the fewer the Houses.

The fewer the Houses—the higher the Rents.

"Protection" that does not increase prices, or create monopolies, but, on the contrary, may tend to reduce prices and increase wages.

The higher the Rents—the worse for the Worker—

The worse for his Wife—

The worse for his Children!

Municipal Rating on Land Values will not wipe out the land speculator, but it will tend to loosen his grip. It would be the commencement of a great reform.

Workers! You have everything to gain and nothing to lose by the adoption of Plank 2 of the Municipal Labor Platform.

WORK FOR IT!

E. L. KIERNAN.

APPENDIX B

MUNICIPALITIES WHICH HAVE ADOPTED UNIMPROVED LAND RATING VALUE IN VICTORIA

Statistics as at 30th September, 1960.

| Municipality | Year Adopted | How Adopted | Properties Rated | Valuations | | | Rate Revenue |
|----------------------------|--------------|-------------|------------------|------------|--------|--------|--------------|
| | | | | C.I.V. | N.A.V. | U.C.V. | |
| | | | No. | £'000 | £'000 | £'000 | £ |
| Metropolitan CITIES | | | | | | | |
| Box Hill | 1946 | Poll | 16,118 | 37,621 | 1,884 | 10,674 | 292,287 |
| Broadmeadows | 1956 | Poll | 24,000 | 32,135 | 1,623 | 10,616 | 260,467 |
| Brunswick | 1922 | Poll | 15,415 | 36,418 | 1,939 | 11,539 | 270,209 |
| Camberwell | 1922 | Poll | 32,075 | 87,805 | 4,395 | 26,207 | 715,834 |
| Caulfield | 1920 | * | 23,972 | 67,494 | 3,563 | 20,102 | 465,881 |
| Chelsea (B) | 1923 | * | 7,053 | 12,161 | 614 | 2,980 | 88,201 |
| Coburg (T) | 1920 | * | 19,890 | 37,956 | 1,912 | 10,515 | 349,738 |
| Dandenong (S) | 1920 | Poll | 8,114 | 21,834 | 1,096 | 7,449 | 210,886 |
| Essendon | 1920 | * | 17,460 | 39,018 | 2,033 | 14,045 | 377,274 |
| Heidelberg | 1951 | Poll | 29,302 | 60,181 | 3,009 | 13,677 | 482,290 |

| Municipality | Year Adopted | How Adopted | Properties Rated | Valuations | | | | Rate Revenue |
|----------------------------|--------------|-------------|------------------|------------|--------|--------|--|--------------|
| | | | | C.I.V. | N.A.V. | U.C.V. | | |
| | | | No. | £'000 | £'000 | £'000 | | £ |
| Metropolitan CITIES | | | | | | | | |
| Kew | 1947 | Poll | 9,184 | 28,329 | 1,439 | 8,442 | | 223,805 |
| Malvern | 1955 | Poll | 16,085 | 52,487 | 2,624 | 18,355 | | 366,538 |
| Moorabbin | 1946 | Poll | 30,378 | 79,606 | 4,023 | 24,961 | | 635,550 |
| Mordialloc (T) | 1925 | Poll | 8,347 | 18,682 | 936 | 4,907 | | 146,495 |
| Nunawading | 1952 | Poll | 19,907 | 31,725 | 1,631 | 9,011 | | 264,464 |
| Oakleigh (B) | 1921 | * | 16,200 | 40,206 | 2,022 | 10,573 | | 354,266 |
| Preston | 1946 | Poll | 27,438 | 39,091 | 2,029 | 9,959 | | 385,083 |
| Ringwood | 1951 | Poll | 9,450 | 16,919 | 844 | 3,643 | | 152,934 |
| Sandringham | 1926 | Poll | 11,349 | 30,749 | 1,538 | 7,705 | | 226,392 |

SHIRES

| | | | | | | | | |
|------------------------|------|------|--------|--------|-------|--------|--|---------|
| Doncaster, Templestowe | 1959 | Poll | 12,809 | 17,269 | 951 | 9,893 | | 181,089 |
| Eltham | 1954 | Poll | 7,616 | 12,975 | 649 | 2,836 | | 101,938 |
| Frankston | 1950 | Poll | 15,260 | 32,450 | 1,623 | 10,657 | | 278,228 |
| Keilor City (S) | 1957 | Poll | 17,839 | 20,529 | 1,026 | 6,254 | | 168,621 |
| Mulgrave | | | | | | | | |
| (Waverley City) | 1956 | Poll | 16,679 | 34,826 | 1,763 | 15,324 | | 342,352 |
| Springvale City (S) | 1955 | * | 10,629 | 20,730 | 1,041 | 6,735 | | 174,554 |

Provincial

| | | | | | | | | |
|------------------------|------|------|-------|--------|-----|-------|--|--------|
| Newtown & Chilwell (C) | 1920 | * | 3,687 | 7,225 | 362 | 2,221 | | 70,128 |
| Wonthaggi Borough | 1958 | Poll | 2,470 | 2,234 | 114 | 420 | | 22,095 |
| South Barwon Shire | 1953 | Poll | 7,181 | 10,719 | 551 | 3,886 | | 90,298 |
| Castlemaine Town | 1955 | Poll | 2,823 | 3,503 | 175 | 606 | | 32,004 |
| Maryborough Borough | 1959 | Poll | 2,650 | 4,927 | 247 | 846 | | 34,799 |
| Yea Shire | 1921 | Poll | 1,229 | 5,850 | 293 | 2,026 | | 42,735 |
| Ararat City | 1958 | * | 2,684 | 4,895 | 247 | 1,081 | | 46,876 |
| Hamilton City (T) | 1944 | Poll | 3,200 | 8,056 | 407 | 2,783 | | 74,683 |
| Warrnambool City | 1954 | * | 5,660 | 12,636 | 632 | 2,916 | | 87,414 |
| Portland Town (B) | 1920 | Poll | 2,623 | 5,813 | 294 | 1,376 | | 43,382 |
| Stawell Town | 1959 | Poll | 2,302 | 2,925 | 146 | 645 | | 25,351 |
| Mildura City | 1956 | Poll | 4,460 | 12,765 | 644 | 3,947 | | 99,808 |
| Swan Hill Borough | 1957 | Poll | 2,182 | 6,236 | 312 | 2,544 | | 65,002 |
| Echuca Borough | 1948 | * | 2,450 | 4,901 | 248 | 1,289 | | 42,215 |
| Wangaratta City (B) | 1956 | Poll | 4,800 | 7,542 | 377 | 2,038 | | 71,701 |
| Benalla Borough | 1958 | Poll | 2,500 | 6,404 | 328 | 2,041 | | 45,728 |
| Wodonga Shire | 1957 | Poll | 2,500 | 5,339 | 267 | 1,705 | | 44,747 |
| Sale City | 1954 | Poll | 3,064 | 5,574 | 281 | 1,257 | | 52,293 |
| Moe Borough | 1958 | Poll | 5,200 | 9,180 | 459 | 2,176 | | 70,629 |
| Rosedale Shire | 1920 | * | 6,000 | 6,444 | 325 | 2,725 | | 54,228 |
| Traralgon Shire | 1957 | Poll | 5,076 | 11,456 | 573 | 3,415 | | 98,150 |

£8,729,452

Letters in brackets indicate original status at adoption was: (S) Shire (B) Borough (T) Town.

* By Council Resolution without poll.