

PROGRESS

A Tasmanian Journal to Advocate the Rights of the People in the Land



POLICY:

1. COLLECTION OF LAND VALUES OR GROUND RENT AS PUBLIC REVENUE.
2. THE ABOLITION OF TAXES NOW IMPOSED UPON LABOR AND LABOR PRODUCTS.
3. PROPORTIONAL REPRESENTATION FOR ALL ELECTIONS.

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Municipal Justice — or Robbery?

Local Government gives the closest approach to the deal of democracy in operation in this country. Municipal councillors are of the people and move among them. They can be approached by anyone and are. In this they differ from State and Federal parliamentary fields where less visible results are seen for far vaster sums of money and the members are farther removed from those they represent.

The services provided by Local Government too are the basic ones the presence of which makes life tolerable or pleasant. Roads, pavements, street lighting and cleaning, water supply, sewerage, parks and gardens, child welfare centres, libraries and a wide range of amenities. Some councils do not provide all these services — some provide them to better standard than others within their financial limits.

That brings us to the question of, who pays for the services — and how? The answer to the first part is that property owners pay the costs incurred by their councils or these services. This is because all these services are ordered to property — their availability gives and maintains a far greater value to property than it would have without them.

As property owners benefit specially from the availability of these services in a way not shared by others they are expected to club together to pay the costs.

The principle of local government finance is to split the cost between the property owners in proportion to the value given to their property by the services made available. This clearly varies widely according to the size of the property, since a large one will have more value than a small property alongside. It also varies greatly with the *situation*, since a property in the centre of a town will have available the whole range of municipal services, while a similar sized property on the outskirts has few services available and the value of such a property will be far less.

The method of carving the bill between property-owners by rating. The municipal council assesses each by a Aft. of so many cents in the \$ of the value of their property. If this is of small value their payment is small — if high value the rate payment is large.

This principle is perfectly just and could not be bettered. It simply seeks payment in accordance with value given. In many councils practice is actually in accordance with that principle. Such are the ones rating upon the "unimproved" or bare land value. Here municipal justice can be said to apply.

But in many municipalities practice is a perversion of the principle to which it is supposed to conform. In such, the payments demanded have no relation whatever to the services available for which they are supposed to be the owners' share of cost. They are in their nature nothing better than legalized robbery.

Such are the municipalities, water, sewerage and other local bodies still using the net annual value as the basis of their rating.

How can this be said of them since they are supposed to be charging in accordance with value of property?

Simply because they have failed to recognise that property value consists of two separate parts — the land value itself is one while the value of the buildings, cultivation and other improvements made by the owner is the other part. It is the land value alone which is given and maintained by municipal and other public services — it is this value alone that can justly be used as a basis of rating. The owner's improvement value should be excluded from rating. Land value measures what the community has done for the land owner. The value of his improvements measures what he has done for the community.

The net annual value rating method fails to distinguish between the value of the land and that of improvements. It charges according to the combined value of both. For houses and other well-improved properties the improvements value is several times that of the land alone so this charges them several times their rightful share. Conversely it charges vacant lot owners and other under-developed holdings less than their rightful share.

This net annual value rating system has no moral basis. It is a system of legalized robbery which is being progressively abandoned throughout Australia as people become aware of its evil nature and effects. Already two-thirds of the municipalities have made the change. It is a relic of the time before values of land and buildings could be separated because values were few and less competent than now.

Why?

pay more than
your fair share
of Rates

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SITE-VALUE RATING IN TASMANIA

WILL SITE-VALUE RATING HURT - OR HELP - BUSINESS ?

Are you among those businessmen whose rates would be increased by change to unimproved land value rating? There are quite a few. If yours is among them you may have thought that you should vote against change on that account.

If so we suggest you would be making a mistake. There are compensatory benefits to you which would make it a pleasure to pay the increase. Let us explain why.

Outlay of money is no new thing to businessmen. They are happy to do so to buy more stock or to take on extra salesmen — so long as they have reasonable grounds for thinking there will be increased sales to warrant it.

We claim that even where rate payments may be higher, unimproved land value rating is the best thing out for businessmen as well as their customers.

Before demonstrating that the change will substantially increase your turnover upon which your profit is based — let's first get the amount of the increased rates upon some business properties into proper perspective. Whether up or down rates are a relatively small proportion of business costs in retail sales — quite commonly as low as 2 per cent.

Municipal rates and income tax must be considered together to find out whether there is any net increase in outlay, because they are inter-related. Rates are recognised business costs. They are fully tax-deductible to arrive at net income for business income tax purposes. This results that a high proportion of the amount paid in rates is returned to the business firm as a reduction in income tax.

CANBERRA PAYS HALF

Thus, whatever extra rates may be payable to the council by some business properties under unimproved capital value rating, on average, half of it is paid by the Canberra Government and only one-half the total by the business man. (Not will you be finally out of pocket even to this extent as will be seen later).

SPENDING THE HOUSEHOLDERS SAVING

Of the house-holders more than two-thirds will make rate savings under change to U.C.V. Their savings are spent in the business community for goods and services. On the increased turnover the profit margin would exceed the amount of the increased rates upon those business firms incurring them (apart from the income tax saving). Hence, even if there were no stimulation whatever to building construction, local factory employment, population growth and the increased retail trade linked with them — the profit margin on the spending of your customers' savings now would leave businesses on the credit side at once.

STIMULATION TO BUILDING AND TRADE

Traders will benefit even without stimulation to building activity and employment which follow change to site-value rating. But as businessmen we cannot afford to ignore these expectations.

Every municipality which has changed to the site-value rating basis since the war has shown substantially greater building construction activity and population growth than could have been expected under its N.A.V. trends. Its retail trade has expanded with the new level of spending in building materials and in consumer goods to serve the new customer families occupying the new homes. Where water, sewerage and municipal rates are on site-value the previous level of building construction has been about doubled within three years and maintained at the higher level.

Between the Censuses of 1954 and 1961 there were 10 provincial towns of over 6,000 where population increased at a faster rate than the Melbourne metropolitan area. They were: Warranboool, Portland, Benalla, Wangaratta, Wodonga, Moe, Traralgon, Shepparton, Bairnsdale and Morwell. The first seven mentioned rated U.C.V. and the last three N.A.V. Of these last Morwell is basically an S.F.C. town.

GROWTH TO BE EXPECTED

Removal of local taxes from buildings and other improvements should encourage development. After all, the very thing that taxing does is to reduce their numbers. And the effect of taxing any commodity is to make it scarce. So we can logically expect the opposite process of removing taxes from buildings to stimulate their numbers and quality. As businessmen whose livelihood depends on turnover our object should surely be to remove such taxes which restrict building and hence demand for our goods.

That site value rating towns ARE better for trade was shown in a survey of shopping centres in 353 towns of various sizes in five Australian States published in "The Valuer," July, 1959. This showed where buildings had been rate-free (U.C.V.) for many years 61 per cent of the towns supported more than 40 shops. Of those where buildings were rated (N.A.V.) only 39 per cent supported more than 40 shops. Surely this is the acid test?

RETAIL TRADERS SUPPORT U.C.V. RATING

In N.S.W., where rating upon unimproved value is general and improvements are rate free, businessmen are well aware that their true interests are bound up with that system. At the Royal Commission on Local Government Finance in 1966, the Retail Traders' Association of N.S.W., the Country Traders' Association of N.S.W., and the Sydney Chamber of Commerce jointly presented submissions supporting rating on unimproved capital values and stated that "It is therefore held that the Assessed (Rate) Annual Value could not provide an equitable basis upon which to distribute municipal rates."

A SILENT SALES STAFF

Site-value rating with removal of rates upon improvements will provide the local business community with a new force operating constantly to encourage residential, industrial, and population growth and with it the volume of retail trade.

The interests of the business community can only be soundly served when identified with those of their customers — the house-holders. This is the policy of enlightened self interest.

**Vote YES for
Site Value Rating**

FLIGHT for MUNICIPAL JUSTICE
Support
MUNICIPAL RATING REFORM

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