PUBLIC CHARGES UPON
LAND VALUES

Public Charges Upon Land Values

A Study of the Effects of Local Government Rating Systems upon the Social and Economic Development of the Australian States

PRICE (illegible)

5451

LAND VALUES RESEARCH GROUP

For the collection, analysis and distribution of information upon the incidence and effects of public charges imposed upon land tenures.

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Public Charges Upon Land Values

IN AUSTRALIA

A Study of the Effects of Local Government Rating Systems upon the Social and Economic Development of the Australian States

MELBOURNE
REPRINTED 1963

PUBLIC CHARGES ON LAND VALUES

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APPENDIX

Local Government Authorities in Australian States according to Local Tax System in use.

1. Introductory

As the community develops, need arises for a greater range and better quality of public utilities and services. These necessitate increasing public revenues which can only be met by public charges which draw upon the pool of wealth produced by the citizens.

Ultimately these public charges fall into one or other of two types.

With one, public charges are based directly or indirectly upon the actual value of the wealth produced or used by the citizen. In this class are income taxes, sales taxes, pay-roll taxes, tariffs, excise, local taxes upon buildings or cultivation. The effect in each case is to reduce the incentive to production.

With the other, public charges are based upon the wealth producing **potential** of land irrespective of whether it is developed or not. To this class belong charges which really are ground rentals; such as land taxes, rates upon site-value of land apart from improvements, timber mining and oil royalties. These charges, being fixed commitments based upon potential, give full incentive to development in the knowledge that any excess above the fixed charge remains with the producer.

The first takes for public uses part of the privately produced values given to materials by labor and capital. The second absorbs for public purposes part of the publicly created rental value of land which reflects the concentration and standard of public services and utilities available.

This site-rental value is a natural and just source upon which the community is entitled to draw to maintain and extend its utilities on which that value is based.

To the extent that public revenue is increasingly shifted from privately-created values to the publicly-created rental or capital value of land (exclusive of improvements), we approach a clear-cut functional

ideal of taking for the community that value which justly belongs to it, while leaving the individual owner in full possession of the value due to his own effort.

With most countries public revenue charges are a mixture of these two elements. Income taxes, for example, fall mainly on wealth actually produced, but in the process absorb part of the site-rental where land is put to use (but none where its potential is untapped). Again, rates and taxes upon real estate fall partly upon the value of the improvements and partly upon the value of the site.

In Australia, the shift of public charges or taxes from privately-produced values to community-created land values has gone further than with most other countries. This is a major (though not the only) factor contributing to the high living standard enjoyed by Australian people as a whole.

This high standard is all the more surprising when account is taken of the relatively small population, comparative infertility due to the poor rainfall over most of the continent, and the enormous distances making transport costs inordinately high compared with more compact countries.

The weight of public charges on land values varies greatly among the six States. These differences in public revenue policy operating over many years are attended by equally marked differences in the prosperity and development of the States.

In 1945, the Land Values Research Group published a survey comparing the extent to which public charges on land values had replaced other taxes in each of the six States. It also compared their effects as shown by key indicators of development. These results were contained in a booklet "Public Charges on Land Values." The Research Group has now made a new assessment of the further developments of the post-war years to 1958.

This shows that in most States further spectacular advances have been made in the proportion of the ground rent collected for public revenue. The earlier survey took account only of charges levied directly upon land values, ignoring that part of local taxes on the Net Annual Value basis which falls on land values.

The most recent survey has taken account of this part as well as direct charges, but the comparison below is on the old basis, comparing only direct charges on land-values as a proportion of the apparent ground rent. This is given so that the great advances achieved in the post-war period can be seen.

STATE	Direct public charges upon land values as a proportion of the assessed ground rent (%)	
	@ 1939/40	@ 1957/58
Land Value Rating Group		
Queensland	54.5	66.1
New South Wales	29.8	50.6
West Australia	16.6	32.5
Annual Value Rating Group		
South Australia	14.4	23.5
Victoria	8.8	24.6
Tasmania	7.6	9.5

The table above shows the spectacular post-war advances in collection of land values for public purposes in lieu of other taxes. They are particularly great in New South Wales, West Australia, South Australia and Victoria.

In South Australia a further 11 local government units have changed to the site-value rating basis since the pre-war survey. In Victoria 29 have changed to that basis, and in West Australia five of the 21 municipalities exercised optional powers given them under recent legislation to make this change. In Victoria, the State Rivers and Water Supply Commission changed to the site-value basis for its Irrigation and Rural Waterworks Districts. In Queensland and New South Wales substantial extensions of irrigation systems occurred financed by water-right charges based on acreage or site-value rates. Only in Tasmania was there no substantial advance made in collection of public revenue from land values in lieu of other taxes. In all States the necessity to rely increasingly on their own revenues instead of Federal Government hand-outs led to increased taxation of land values by State Governments.

However, the above table does not give a real picture of the comparative levels of public charges on land values, as it shows direct charges only. In

addition, about 25% of the local rates based on Nett Annual Value fall on the site as distinct from the improvement values. This mainly affects South Australia, Victoria and Tasmania. Making allowance for this, the apparent proportion of the ground rent absorbed for public services in the States becomes:— Queensland (66.1%), New South Wales (53.0%), West Australia (38.8%), South Australia (32.5%), Victoria (33.7), Tasmania (24.0%).

The apparent ground rent has been approximated by adding to the total yield of the public charges levied on land values 5% of the assessed unimproved capital value (which is the capitalized rent remaining in private hands). This greatly under-states the true ground rental because official valuations lag far below market values. If these official valuations in each State are only half the current market value, the true relative proportions of the ground rent absorbed for public purposes would be:— Queensland (50%), New South Wales (36%), West Australia (24%), South Australia (19.4%), Victoria (20.3%), Tasmania (12.6%).

The account in the accompanying tables is incomplete since it does not include mining and timber royalties, nor rentals drawn from railway and other public properties let on building lease, the totals being substantial. Nor does it include any allowance for part of the income tax on developed properties falling on the site-value. Without these the public charges raised from land values in the six States accounted for in the table totalled £100,175,000. This does not include the Australian Capital Territory, with approximate charges of £500,000 in land rentals and rates.

The measure of practical adoption of these principles in most States is most impressive, and the results in material prosperity a source of envy to other nations. But we are still a long way from the goal of collection of the full economic rent for public purposes in lieu of taxation. The benefits that have already followed the practical application so far warrant extension of this just principle to further fields of public revenue.

EXTENT OF PUBLIC CHARGES ON LAND VALUES IN AUSTRALIA

Year Ended 30th June, 1958

Nature of Charge	Queensland	New South Wales	West Australia	South Australia	Victoria	Tasmania
	£ million	£ million	£ million	£ million	£ million	£ million
1. Land Rentals	3.020	1.500	0.185	0.199	0.421	0.627
2. Land Tax	1.468	6.602	1.522	1.899	4.607	0.407
3. Local Government Rates						
(a) General Rates						
Directly levied on U.C.V.	12.180	32.175	2.138	1.461	6.575	—
Part (25%) of levy on N.A.V.	—	—	0.393	0.926	3.028	0.501
(b) Water and Sewerage						
Levied direct on U.C.V.	6.200	2.734	—	0.268*	0.125	—
Part (25%) of levy N.A.V.	—	2.996	0.459*	0.819*	2.370	0.177
(c) Electricity and Gas						
Levied on U.C.V.	0.601	0.360	—	—	—	—
(d) Main Roads						
Levied direct on U.C.V.	—	1.683	—	—	—	—
4. Irrigation and Water Commissions						
Levied direct on U.C.V.	0.065	—	—	—	0.749	—
Part (25%) of levy N.A.V.	—	—	—	—	0.098	—
Water Rights @ charge/acre	0.037	0.837	—	—	0.814	—
Total Public Charges (i.e., Ground rent collected)	22.980	47.087	4.678	5.663	18.787	1.712
Apparent Ground Rent in private hands @ 5% of U.C.V.)	11.770	42.275	7.215	10.490	26.745	3.513
Apparent proportion collected	66.1%	53.0%	38.8%	32.5%	33.7%	24.0%

* Controlled by Government Departments in those States. U.C.V. means Unimproved Capital Value.
N.A.V. means Net Annual Value of Improved Property.

2. Effects Upon Levels of Land Values

Perhaps the most important single effect of public charges on land values is to curb the market price of land compared to the value it would have without those charges.

The market price of a block of land is simply the capitalised amount of that part of its ground rent remaining to the owner after paying rates and taxes. Thus even a small rate or tax is multiplied about twenty times in its effect upon price. If the market price of land is high, this shows that the public charges upon land values are too low. If public charges on land values are made heavy enough to completely absorb the ground rent, land will cease to have market price.

This is the position with the perpetual leasehold tenure under which a large part of Queensland is held. The land is obtained without cash outlay, but pays a periodically revised ground rent to the State.

Perpetual leasehold tenure enables the property owner to put his whole capital direct into buildings, plant or stock. Thus he may be able to avoid borrowing on mortgage at all or be able to get by with a much lower commitment than if he had to buy the land.

In a community where capital for buildings, plant and cultivation is usually obtained by loans covered by mortgage the price that has to be paid for land is a governing factor. Under the conditions normally met for home purchase on mortgage at 5½ per cent. interest the price paid for the land is multiplied nearly four times over in the total payments. With higher interest rates the multiplying effect is even greater. Our most important comparison is therefore of the trend in land values between the States since this is a key indicator of whether basic conditions are sound.

Mere comparisons of the increase in total land values of States whose populations are increasing at different rates may be misleading. However, in "land value per head of population" we have a basis of comparison where uncertainty due to this factor is absent. Such a comparison is made in the table below, from which the trends in land value per head can be readily seen.

It will be seen from this table that there has been a different trend in land values in the two State groupings according to their rating system.

Trend in Land Values 1901 to 1958

STATE	Unimproved Land Value in £ per Head of State population		
	At 1901	At 1937	At 1958
Site-Value Rating Group (U.C.V.)	£	£	£
Queensland	87	72.5	166
New South Wales	104	116	330 *
West Australia	93	104	206
Improvement-Value Rating Group (N.A.V.)			
South Australia	93.5	135	235
Victoria	93	136	276
Tasmania	93.5	98	210

* The marked increase in the N.S.W. figure for 1958 reflects changes in practice by the Valuer-General to assess much closer to full market value. Similar changes have since been made in other States.

The two earlier periods give a truer idea of relativity in land values between the States than the last. The general rise in values shown for 1958 largely reflects currency inflation.

The States are listed in the order of the weight of rates imposed on land values. In 1901 Queensland alone levied rates on land values, and this accounts for the slightly lower figure for that State than the remainder at that time.

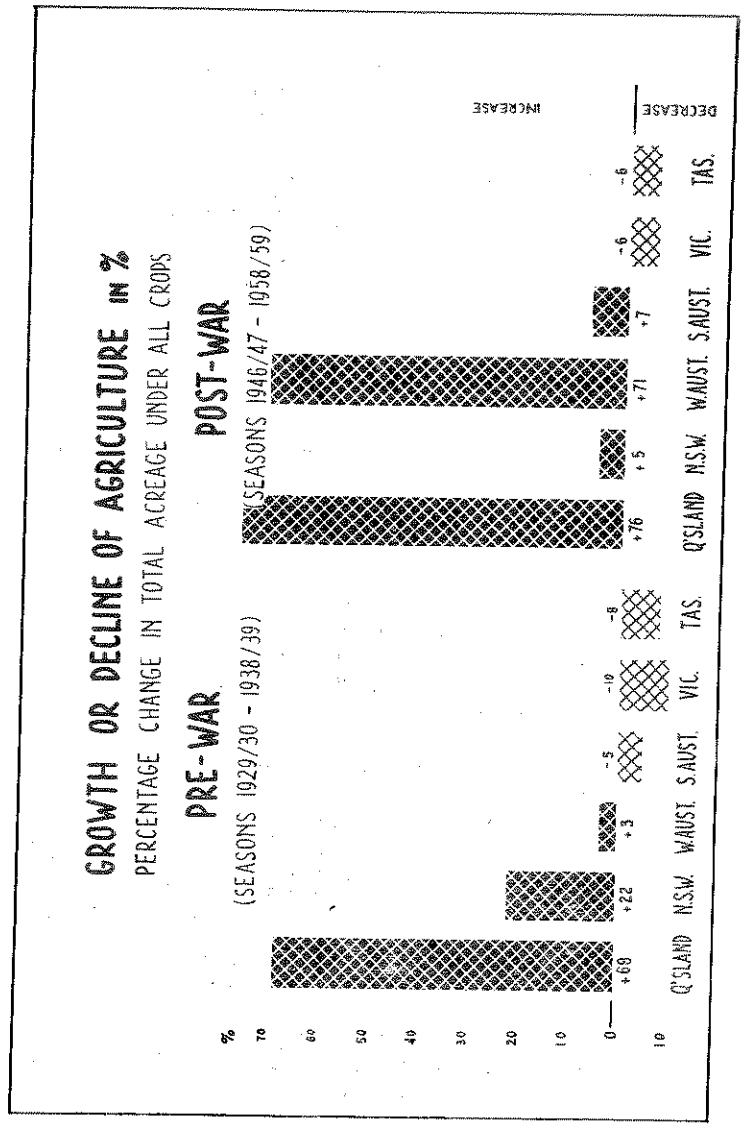
It will be seen that other States were at much the same level at this date. The figure for Western Australia was assumed to be the same as the others, as valuations were not available at that period. By 1937, however, very great differences are seen between the groups. In Queensland the extent of rates on land values was great enough to reduce the land value per head compared with the early period, while in the other two States in the land value rating group the increase was small compared to that of Victoria and South Australia. Although Tasmania is in the group rating improvement-values, the price rise was small, largely because this State had been losing population by emigration, with consequent lessening of the demand for land.

3. Agricultural Development

Below are compared the changes in areas under all crops for each State over two distinct periods. First is the ten-year period from the boom year 1929/30 and spanning the depression to the start of World War II. The second covers the post-war seasons from 1946/47 to 1958/59. (See chart — Growth or Decline of Agriculture.)

STATE	Acreage Under All Crops			
	Season 1929/30	Season 1938/39	Change	
	'000's	'000's	'000's	
A. Depression Period	1929/30	1938/39		
Land-Value Rating States (U.C.V.)				%
Queensland	1,046	1,734	+ 688	(+68%)
New South Wales	5,501	7,049	+1,548	(+22%)
West Australia	4,566	4,719	+ 153	(+ 3%)
Group Figures	11,113	13,502	+2,389	(+21%)
Improvement-Value Rating States (N.A.V.)				
South Australia	4,967	4,724	— 243	(— 5%)
Victoria	5,579	5,019	— 560	(—10%)
Tasmania	265	243	— 22	(— 8%)
Group Figures	10,811	9,986	— 826	(— 8%)
B. Post-War Years	Season 1946/47	Season 1958/59	Change	
Land-Value Rating States (U.C.V.)				
Queensland	1,617	2,841	+1,224	(+76%)
New South Wales	6,512	6,825	+ 313	(+ 5%)
West Australia	3,590	6,135	+2,545	(+71%)
Group Figures	11,719	15,801	+4,082	(+35%)
Improvement-Value Rating States (N.A.V.)				
South Australia	3,885	4,147	+ 262	(+ 7%)
Victoria	5,103	4,792	— 311	(— 6%)
Tasmania	361	339	— 22	(— 6%)
Group Figures	9,349	9,278	— 61	(— 1%)

Agricultural development is intimately connected with the price of land. This is strikingly shown by the changes in area under cultivation in each of these periods. The higher level of public charges in the land-value rating States curbed the speculative rise in the price of land. This speculation had freer rein in the States taxing improvements.



Result was that with collapse of world prices of primary products (particularly wheat) in the depression, the lower price of land in the land-value rating States enabled substantial extension of cultivation to be profitably undertaken in those States. On the other hand the higher price of land in the other States led to failure of farms bought at those prices, surrender of holdings and reduction in the area under crops. These diametrically opposed tendencies operated directly in the order of the weight of public charges levied on land values.

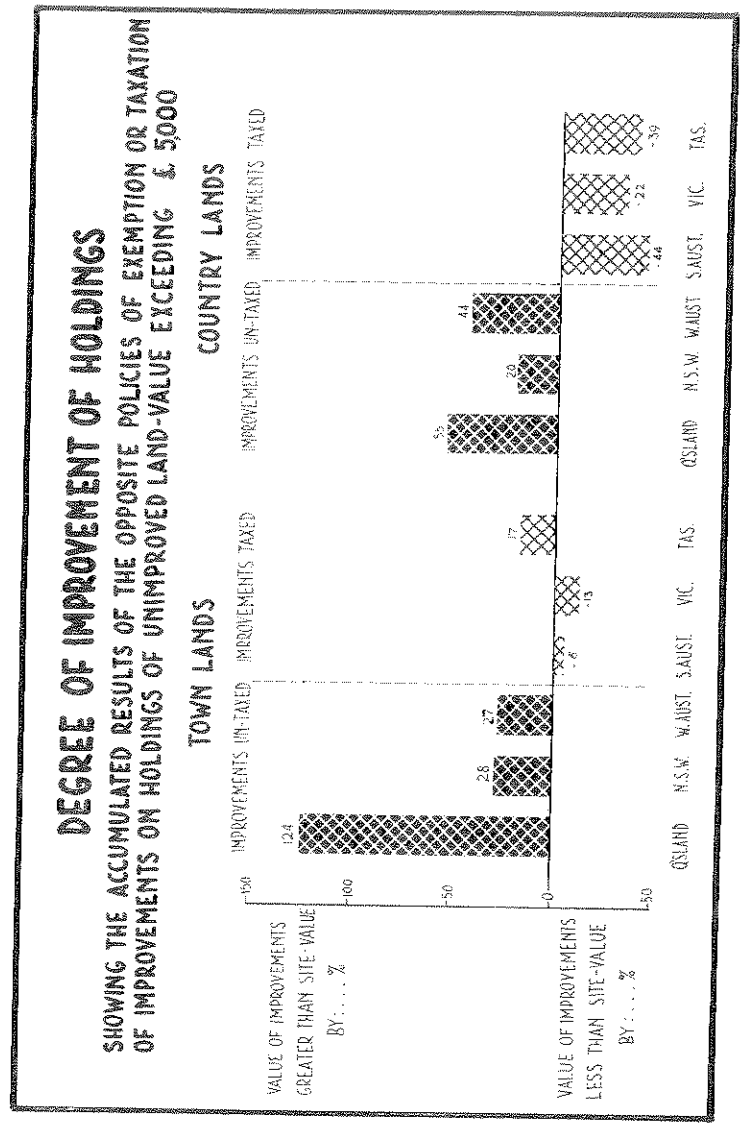
The war years are omitted because developments in them were not in accordance with normal economic conditions, but under Government direction and controls.

The post-war comparison follows the same pattern as the earlier one, though with less difference between the extremes in the two groups. Public charges on land values in the second group were much higher and closer to the first group in this post-war period. Although there is now little difference between the total proportion of the ground rent represented by the weight of public charges levied on land values in Victoria and in South Australia, there is great difference in their distribution pattern. The post-war extensions of site-value rating in Victoria have been mainly in urban areas, while in South Australia they have been mainly in rural farming areas. Hence it is particularly significant that, alone among the States where local taxes upon improvements still apply to a majority of municipal units, South Australia shows a small overall increase in area under crops.

4. Effect Upon Improvement of Holdings

One of the major effects which has followed the removal of taxes from improvements and the placing of these charges upon the unimproved value of the land, has been the marked stimulation it has given to the improvement of properties. (See chart—Degree of Improvement of Holdings.)

This stimulation to development of holdings is immediately seen when we compare, for the two State groupings, the ratio which the value of the improve-



ments upon the land bears to the value of the land itself.

This has been done in the table below, covering all properties which have an unimproved land value of £5,000 or over. These figures are based upon the 23rd report of the Commissioner of Taxation dealing with the Commonwealth Land Tax. The figures are given separately for town lands and rural lands, as well as the whole State, and relate to the year 1939/40.

Degree of Improvement of Holdings

STATE	Public charges on land-values as proportion of ground rent.	Value of Improvements compared with U. Land Value as 100.		
		Town Lands	Country Lands	Whole State
Land-Value Rating States (U.C.V.)	%	%	%	%
Queensland	54.5	224	155	198
New South Wales	29.8	128	120	124
West Australia	16.6	127	144	130
Group Average		160	140	151
Improvement-Value Rating States (N.A.V.)				
South Australia	14.4	94	56	73
Victoria	8.8	87	67	79
Tasmania	7.6	117	61	83
Group Average		99	61	79

Note: 1. Weight of public charges here takes account only of charges levied direct on land values. Portion of the improvement-value rates would also rest on land values.

2. This comparison cannot be made for the post-war years, as the corresponding figures are not available since the Commonwealth Government retired from the land tax field from July, 1952. Land taxes were then levied by all State Governments, but the rates and exemptions are no longer on a common basis. Again, although Commonwealth land tax data is available to July, 1952, this would be of doubtful value because land valuations had been pegged to 1940 levels and building controls operated over these years.

The first thing noticed from the figures is how utterly different those in the Land-Value Rating States are from the others. **In the first group the value of the improvements is very much greater than the value**

of the land on which they stand. In the second group the value of the land is greater than the value of the improvements.

This observation is true not only for the groups as a whole, but for the individual States within the groups. It is true also of both town lands and country lands. Further, the extent of the stimulation of improvements is by far the greatest of all States in Queensland, which imposes the heaviest public charges on land values.

We may notice further that the stimulation has been much greater in the town lands of Queensland than in the country lands. This, too, follows the weight of the charges on land value, for in the cities and towns of Queensland the rates averaged 7d. in the £ of the apparent land value, free of any charges upon it, whereas the rates for shires averaged 4d. in the £.

Again, although the town lands of Western Australia and Tasmania largely use the Improved-Value system, both of these States have land taxes without any lower limit of exemption. These taxes fall almost entirely upon the cities and towns, country lands being practically exempt from them. In Western Australia this tax is at double the rate on unimproved land as on improved land, and 88 per cent. of it was borne by town lands.

This accounts for the fact that the urban figures for these States are somewhat above those for Victoria and South Australia, although the rating is on the improvement-value in these cases.

These great differences in the proportion of improvements to land values between the two groups of States have had very great effect upon the material prosperity of the people in the States. Not only has this improvement bettered the position of those who depend for a livelihood upon the making of the improvements. It has resulted in greater prosperity for the landowners themselves.

5. Effects Upon the Assets of Land Owners

The far better position of the landowners where public charges on land values are highest will be

readily seen from the following table, which applies to all who paid Commonwealth Land Tax. Again the figures relate to the year 1939/40. The comparison cannot be extended to the post-war period for the same reasons as for the previous section. (See chart—Average Value of Land and Improvements.)

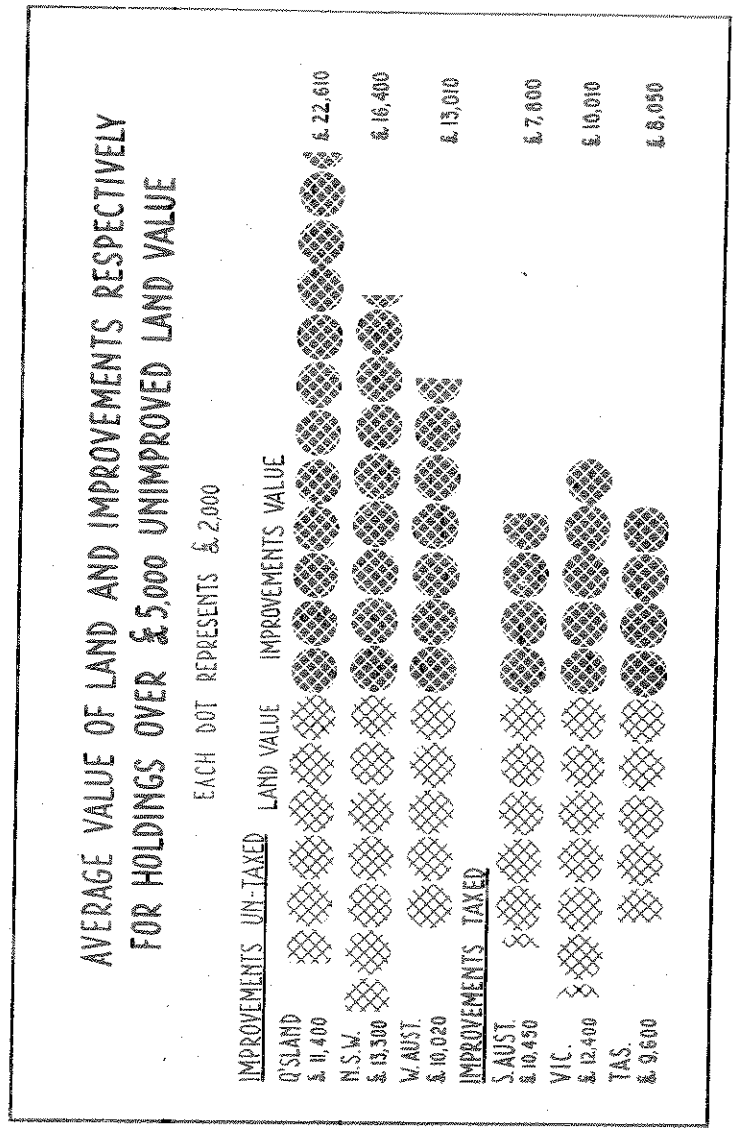
STATE	Improvements Value per Land Tax-payer.	Unimproved Land Value per Land Taxpayer.	Total Assets Value per Land Tax-payer.
	£	£	£
Land-Value Rating States (U.C.V.-)			
Queensland	22,610	11,400	34,010
New South Wales	16,400	13,300	29,700
West Australia	13,010	10,020	23,030
Group Average	17,340	11,573	28,913
Improvement-Value Rating States (N.A.V.-)			
South Australia	7,800	10,450	18,250
Victoria	10,010	12,700	22,710
Tasmania	8,050	9,600	17,650
Group Average	8,620	10,917	19,537

The first thing that strikes us about these figures is the fact that while the land values in the two groups averaged about the same, the value of improvements was utterly different between the two groups.

The average value of the improvements per land-tax payer in the land-value rating group was over 100 per cent. greater than the average for the improvement-value rating group. Further, the value in improvements in the lowest State in the land-value rating group was 30 per cent. greater than for the highest State in the other group.

Again, in Queensland, which levies by far the heaviest public charges on land values, the value of improvements was nearly three times as great as the average of the improvement-value rating group.

The total assets of landowners in land value plus the improvements value were greater in the lowest State in the land-value rating group than in any of the improvement-value rating group. Obviously, the total assets of land owners have been increased and not reduced by the weight of public charges imposed on land and the exemption of improvements.



So great has been the stimulus given to improvements in Queensland by the heavier charges on land that the assets held in improvements alone are equal to the total assets in land value plus improvements in Victoria, the highest State in the improvement-value rating group.

This difference was so great that even had the land value disappeared entirely in Queensland, land owners would still be better off than in any of the States in the second group.

Social Effects of Stimulated Improvements

It is important to notice that the improved position of landowners in the land-value rating States is in their capacity as land users and not as land speculators. They have been encouraged to develop their holdings, and to look for their returns to the results of land usage and not to land speculation.

The lifting of taxes from improvements and placing them on the value of the land has left them with more funds available to make improvements, while the knowledge that the making of the improvements would not mean increased local taxes has also tended in the same direction.

At the same time, the greater proportion of assets in improvements as against land values has been of the greatest importance to the people of these States. Assets in improvements are real wealth which increase the total wealth available for sharing. Land values are not real wealth, but only claims to wealth which others must produce.

The increase of the former has meant a much more active demand for the services and products of all other classes than landowners. The improved condition of non-land-owners in the land-value rating States is largely due to this stimulated demand. (See sections 9 and 10.)

6. Effects Upon Dwelling Construction

The level of building construction activity is a most significant indicator of the conditions in any country. It is an indicator of the general level of prosperity, for the building industry is basic and activity in it is

reflected in many dependent industries. This is particularly true of its dwelling construction rate.

In making inter-State comparisons some modifying factors must be considered. It is not merely sufficient to compare dwelling increase with population increase to establish a stimulating effect due to public charges on land values. Account must be taken of the age composition in the States, for, clearly, if the increase is mainly of infants, less new houses would be required than where the increase is of adults.

The difficulties of comparison are ironed out if we compare the dwellings built with the marriages in the same period. The marriages are a measure of the natural demand for new houses and the comparison of dwelling construction with them gives a good indication of the extent to which this demand is being satisfied. Dwelling construction will always be somewhat less than the number of marriages, since part of the demand for houses is satisfied by old homes which become available after death of previous occupants.

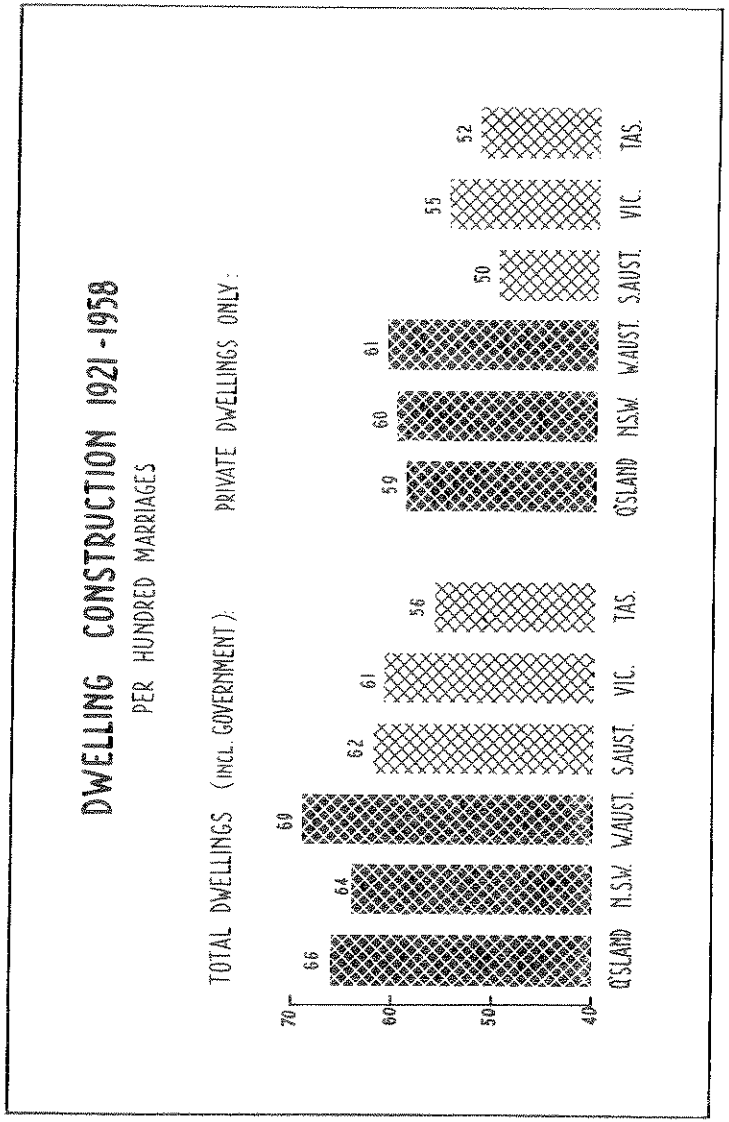
Such a comparison is made below from the Commonwealth Year Books covering the 37 years from 1921 to 1958. Dwelling increases shown are the difference between the total dwellings at the censuses of 1921 and 1954 with addition of dwellings completed

Dwelling Construction and Marriages

(See chart — Dwelling Construction 1921-1958)

STATE	Dwelling Increase 1921-1958	No. of Marriages 1921-1958	Increase in Dwellings per 100 Marriages.	*
Land-Value Rating States (U.C.V.)				
Queensland	224,500	340,800	66.0	(59.0)
New South Wales	607,200	946,600	64.5	(59.8)
West Australia	121,500	175,400	69.0	(61.0)
Group Figures	953,200	1,462,800	65.4	(60.0)
Improvement-Value Rating States (N.A.V.)				
South Australia	141,400	227,900	62.0	(50.1)
Victoria	431,900	706,900	61.1	(55.5)
Tasmania	45,800	84,300	56.1	(52.0)
Group Figures	619,100	1,017,200	61.0	(54.5)

* Bracketed figures exclude Government-built homes.



during the extra four years. Post-war migration has added substantially to the demand for homes so that local marriages alone are inadequate to measure the natural demand. To local marriages have been added the numbers of married couples among the intake of migrants in the post-war years.

The superiority in favor of the States taxing land-value is clear-cut both as groups and individually. The lowest of the land-value rating States are higher than any in the group taxing improvements.

Until the end of World War II home building was almost exclusively done by private enterprise. Since then there has been substantial building by State Housing authorities. The extent varies widely between the States according to their differing policies. To isolate the home-building by private enterprise the homes built for rental under the Commonwealth-State Housing Agreements, those imported by the Commonwealth Government for the States, or built by the State Housing Commissions themselves must be deducted from the totals above. The numbers involved for the various States were: Queensland, 12,683; New South Wales, 43,389; West Australia, 14,675; South Australia, 27,662; Victoria, 39,001; Tasmania, 1,609. These do not cover homes built by private enterprise for individuals with financial assistance from the Government. With these deductions the dwellings built by private enterprise per 100 marriages are as shown in brackets in the final colmun.

These show the private building construction rate to be 10 per cent. greater in the land-value rating group. The differential in the first part of the period to 1933 was greater than since. The reason for this is partly that there has been considerable extension of land-value taxation even in the States where the majority of local units still rate the value of improvements, so the effects between the groups are not now so marked. Again, the extent of Government assistance in home finance tends to bring the construction rates closer together than when economic laws operated unchecked. But the main cause of the apparent reduction in the margin in favor of the site-value

taxing States is that the stimulation of building in those parts taxing site-value within the predominantly improvement-taxing States has masked the lower development in the remaining parts and raised the State averages.

A substantial minority (about one-fourth, but growing) of the municipal units in South Australia and Victoria rate upon the land-value basis, while none yet do so in Tasmania. It is significant, therefore, that Tasmania is at the bottom of the list.

When investigation into the connection between the local taxation system and dwelling construction is pressed down to these municipal units within the States it is found that the differences are much greater than appear from the State averages. The municipal units rating land values are then seen to be mainly responsible for the raising of the State averages.

The effects upon building construction following removal of local taxes from the value of the buildings to that of sites have been studied most closely in Victoria. It has been almost invariably found to be accompanied by an immediate and substantial step-up in building construction which continues thereafter at a higher level. This applies equally to urban and rural areas. Rural municipalities making this change since the war have shown a step-up in value of rural building construction of 50 per cent. or more within two years of making the change.

The following comparisons of the increase in the numbers of dwellings in Victoria for various periods show how the relatively small proportion of municipalities taxing site-values accounts for the majority of dwelling construction in the whole State.

Period of Comparison and Local Tax System	Municipal Rating Units		Increase in Dwellings	
	Nos.	Proportn.	Nos.	Proportn.
Between Census Years 1921-1933				
U.C.V. (Sites taxed)	14	7%	48,600	46%
N.A.V. (Buildings taxed)	181	93%	56,000	54%
Between Census Years 1947-1954				
U.C.V. (Sites taxed)	25	12%	67,000	42%
N.A.V. (Buildings taxed)	176	88%	93,000	58%
Between Census Years 1954-1958 (est.)				
U.C.V. (Sites taxed)	39	19%	71,500	62%
N.A.V. (Buildings taxed)	169	81%	43,500	38%

A survey conducted by the Land Values Research Group on the Melbourne area showed that over the 20-year period from 1921 to 1940, the municipalities taxing land-value built at the rate of 2.12 times the number of houses per acre available for building compared with their counterparts taxing buildings.

A more recent survey showed that for the four years 1954 to 1957 inclusive, value of building permits totalled £210,073,000 for the 24 suburban municipalities exempting buildings, compared with £67,205,000 for the 16 suburban municipalities where buildings were taxed. These figures worked out at an average of £526 per rateable property for those municipalities exempting buildings compared with only £312 for those taxing buildings. The building construction level where buildings are untaxed is thus 1.68 times that where they are taxed.

Similarly, evidence submitted to the Commonwealth Housing Commission in South Australia showed that dwelling construction in the districts rating land values in that State was markedly superior to that in the districts rating upon improvement values.

Such stimulated building construction has been of enormous importance to all classes of the community. It has meant additional employment in the land value taxing areas for some 68 per cent. more carpenters, bricklayers, plumbers, plasterers, painters, tilers, electricians and others employed by the building industry. It has resulted in about 68 per cent. greater demand for timber, iron and steel, cement and bricks, and other materials used in the building industry, from those areas removing local taxes from buildings than could have been expected if buildings were taxed.

Against this, of course, must be set the fact that some of the extra building in the land-value rating areas might have been attracted there due to the rating system, but at the expense of other areas, and that had the whole of the municipalities been rating land values the aggregate of new building might have been less than this large figure.

This could be possible to some extent in the metropolitan area where there is flexibility in the choice of

suburb. But it is discounted by the experience of the rural areas which are self-contained communities and have shown quite as marked stimulation to building. The indications are that lifting of taxes from buildings generates new development that would not otherwise have come to existence. The acceleration to development is greatest where the removal of taxes from buildings is complete as compared with partial.

7. Development of Manufacturing Industries

We have already noted the markedly greater activity in building construction in those States rating upon land values and exempting improvements from rates. The building construction industries are basic in nature.

It is natural to expect, therefore, that this superior building activity should be accompanied by development of manufacturing industries. This expectation has been fully realised.

The most significant indicator of trends in manufacturing industries is the amount of capital invested in plant and machinery. This figure gives a guide to the future development which may be expected. If there is little capital investment in plant, little expansion can be expected.

The table below compares the investment in plant and machinery at 1929/30 with the increase from that year to the year 1938/39. It is then followed by a similar comparison for the post-war period 1947/48 to 1957/58. Values quoted are from the Commonwealth Year Books for the relative years.

The pre-war comparison spans the depression and the recovery. Two of the three States taxing improvements showed actual decreases, while the other had only a small increase. This suggests that factories are less economic where taxed than where sites are taxed and improvements exempt.

The post-war period is one of great expansion generally, although a substantial part of the increase is in depreciated money terms. Again the land-value rating States show markedly better performance than those still rating value of improvements.

Value of Plant and Machinery in Factories

STATE	Value at 30th June	Increase in Value	Percentage Change
A. Pre-War Period			
Land-Value Rating States (U.C.V.)	1930	1930-1939	%
	£	£	
Queensland	15,723,982	2,371,432	+15.1
New South Wales	53,515,368	9,177,588	+17.1
West Australia	6,112,186	1,982,878	+32.5
Group Figures	75,351,537	13,531,898	+18.0
Improvement-Value Rating States (N.A.V.)			
South Australia	10,256,679	—536,995	— 5.2
Victoria	35,022,535	3,604,208	+10.3
Tasmania	6,966,945	— 564,675	— 8.1
Group Figures	52,276,159	2,502,538	+ 4.8
B. Post-War Period	1948	1948-1958	Increase
	£	£	%
Land-Value Rating States (U.C.V.)			
Queensland	21,832,000	82,786,000	+ 379
New South Wales	86,714,000	329,124,000	+ 380
West Australia	9,190,000	54,650,000	+ 595
Group Figures	117,736,000	466,540,000	+ 396
Improvement-Value Rating States (N.A.V.)			
South Australia	20,239,000	59,097,000	+ 292
Victoria	65,829,000	245,050,000	+ 372
Tasmania	9,916,000	36,944,000	+ 373
Group Figures	95,984,000	341,091,000	+ 355

The position shown by this table is significant. For both periods each of the three States in the land-value rating group shows an increase in investments in plant and machinery proportionately greater than for any State rating upon improvements.

Cheaper Land Aids Manufacturers

The markedly superior development in the land-value rating States may be attributed to the incidence of the rating system as a major cause. This system operates to produce the observed result in two entirely different ways.

First, by stimulating building construction and development of holdings, a greater demand is created for the products of factories. This encourages further investment in existing factories and the establishment of new ones.

Second, the effect of the land-value rating system in keeping down the price of land means that less capital outlay is needed for land in new factories or extending old ones. This leaves more capital available for investment in actual plant.

For example, land values in the City of Brisbane are approximately 40 per cent. of the price which would prevail were no rates and taxes levied upon the unimproved value of the land. This means that a firm wishing to establish a new factory, the site of which might cost £100,000 otherwise, is able to get that site for £40,000, due to the incidence of public charges on land values. This firm clearly has an additional £60,000 to spend in investment in plant and machinery for the actual operation of its business.

Growth in Number of Factories

The lower price of land where public charges are based on land values instead of buildings operates in favor of all kinds of businesses. It reduces the amount of capital required to commence a business or factory. The result has been a substantially greater increase in factories in the States following this principle than in the others.

The table below compares factory development over the post-war years 1947/48 to 1957/58. With uniform income tax rates over all States this comparison is on a common basis and is therefore more significant than pre-war when the different tax scales between the States had an influence in directing development to the lightest taxed.

STATE	Total Numbers of Factories at 30th June: 1948	1958	Increase	%
Land-Value Rating States (U.C.V.)				
Queensland	3,642	5,528	1,886	(51%)
New South Wales	15,194	22,270	7,076	(46%)
West Australia	2,788	3,941	1,153	(41%)
Group Figures	21,624	31,739	10,115	(47%)
Improvement-Value Rating States (N.A.V.)				
South Australia	2,856	4,163	1,303	(46%)
Victoria	11,642	16,426	4,784	(41%)
Tasmania	1,225	1,855	430	(35%)
Group Figures	15,732	22,249	6,517	(41%)

Of the total increase, 62 per cent. in the site-value and 58.5 per cent. in the improvement-value rating States was in the small factory category employing four hands or less. The proportions for large factories employing 50 hands or more were 5.5 and 3.6 per cent. respectively.

In the States where some of the local units tax upon site-value and exempt buildings and plant, while others tax buildings and plant, it is found on analysis that there has been concentration of factory development in those local units where buildings are untaxed. This applies both to metropolitan and rural areas.

The following extract of evidence, tendered in 1960 to the Victorian Parliamentary Committee on Distribution of Population, which is particularly concerned with securing decentralisation of industry, shows this:

> "One of the most striking proofs that this simple remedy (un-taxing of buildings and taxing sites instead) is very effective in enabling rural industries to establish and hold themselves economic is given by analysis of the factory statistics for the years 1955/56 to 1957/58. This has been a period of overall recession for rural industry both in numbers of factories and employees.
>
> "If we exclude Dandenong and Berwick as metropolitan, the total number of factories in 164 extra-metropolitan councils increased by 42 over this two-year period from the 1955/56 total of 4,608. It is significant that although there were only 17 (10%) of these rural councils using the unimproved capital value rating system, they provided 21 (50%) of the whole 42 nett increase in factories for the rural part of the State. Increases were recorded for nine, decreases for five, and no change for the other three.
>
> "In the important matter of rural factory employment the performance for the 17 rural councils using unimproved capital value rating was even more impressive. At 1955/56 total employment in rural factories was 67,546 and by 1957/58 this had increased by only 76. **But the total increase in**

employment in the 17 site-value rating councils was 445. Over the other 147 councils still rating the value of buildings, there was a nett decrease of 361 employees. The site-value rating councils alone were responsible for more than the whole rural increase shown for the State.

"Nor was this a case of a few with large figures carrying the rest. Of the 17, eleven showed increases totalling 685, with six showing reductions totalling 243. Those with increases were the rural part of Eltham, Castlemaine, Mildura, Newtown-Chilwell, Portland, Rosedale, Sale, South Barwon, Wangaratta, Warrnambool, Wodonga. Those with decreases were the rural part of Frankston and Hastings, Echuca, Hamilton, Swan Hill, Traralgon and Yea. Of these, Swan Hill and Traralgon had only used the site-value rating basis for one year."

8. Effects Upon Retail Traders

The retail trading community caters for the needs of its customers and its prosperity rises or falls with theirs. The prosperity of the retail trading community can be studied more directly than that of the customers. Long-term effects are visible in the extent of modernisation of the business centres and in the numbers of shops supported by the trade.

A comprehensive survey has been made on this subject covering 353 towns in the States of New South Wales, Victoria, Queensland, South Australia and Tasmania and was published in "The Valuer" of

PROPORTION OF TOWNS IN WHICH RETAIL TRADE SUPPORTS:

July 1959. It shows the effects of site-value taxation with exemption of buildings upon development of business centres as reflected in their modern or obsolete appearance. The survey compares the resultant development in towns of various size after periods of many years of taxation of buildings and other improvements on the one group and their exemption in favor of local taxation of site-value on the other. (See chart — Proportion of Towns.)

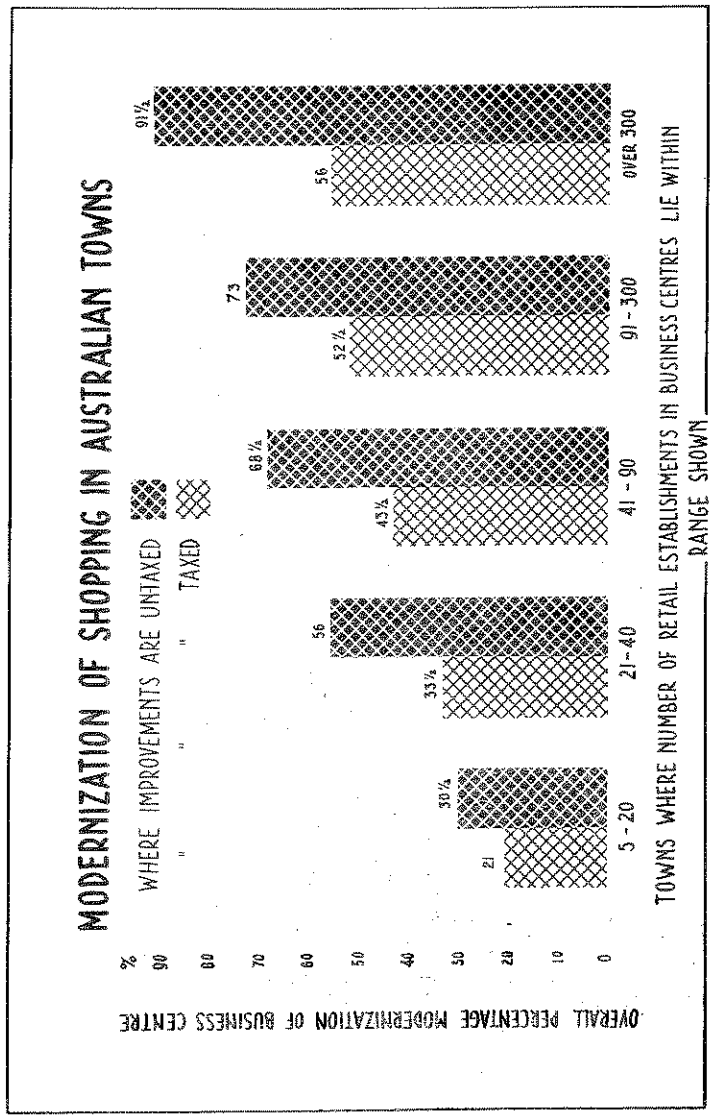
The better trading position where buildings and other improvements are untaxed is evident from the following table, showing the towns in categories according to number of shops their trade sustains.

Range in Number of Shops in Business Centres	Buildings Taxed		Buildings Exempt	
	No. of Towns	%	No. of Towns	%
91 or more shops	29	(14)	45	(30½)
41 to 90 shops	52	(25)	45	(30½)
21 to 40 shops	46	(23)	28	(19)
5 to 20 shops	79	(38)	29	(20)
	206	(100)	147	(100)

Where buildings and other improvements are exempt from local taxes, 61 per cent. of the towns are found to have more than 40 shops, while only 39 per cent have less. Where buildings are taxed, the position is completely reversed, with only 39 per cent. having more than 40 shops and 61 per cent. less.

This in itself indicates a higher level of prosperity with more spending money in the hands of customers where buildings are tax-free. The inference seems clear that in about two-thirds of the towns exempting buildings, customers are numerous and prosperous enough to sustain more than 40 shops, while only one-third are able to support such a number where buildings are taxed.

The shops in these towns were classified modern, semi-modern, or obsolete according to whether they had both, one only, or neither of two criteria of modernization, i.e. metal frame windows, cantilever supported awnings. (See chart — Modernization of Shopping.)



The summarised results were as follows:

Range in number of shops in Business Centre	No. of towns	Percentage in Category: Modern	Semi-Modern	Obsolete	Overall Improvement
A. Where Buildings Exempt and Site-value taxed.					
Over 300 shops	5	85	13	2	91.5
Between 91-300 shops	40	61	24	15	73
Between 41-90 ,,	45	56	25	19	68.5
Between 21-40 ,,	38	44	24	32	56
Between 5-20 ,,	29	21	19	60	30.5
B. Where Buildings taxed and charges on sites low.					
Over 300 shops	7	37	38	25	56
Between 91-300 shops	22	34	37	29	52.5
Between 41-90 ,,	52	27	33	40	43.5
Between 21-40 ,,	47	20	27	53	33.5
Between 5-20 ,,	78	13	16	71	21

These comparisons provide conclusive evidence that trade is better in towns where buildings and other improvements are untaxed. Customers have more money to spend and this has warranted business firms modernizing their premises to attract a larger share of that trade. For the first four size ranges of towns the proportion of shops in the "modern" class is double and the proportion in the "obsolete" class only about half that in the comparable size range still taxing buildings.

Volume of Retail Sales

Although the inferences of better trade conditions from the above survey on modernization are clear enough, further checks are available from the retail trade censuses introduced by the Commonwealth Statistician in post-war years, results being published in Commonwealth Year Books. Results of these are expressed below as value of retail sales per head of population which gives an absolute measure at 1947/48 and 1957/58.

STATE	Retail Sales (in £ million) 1947/48	57/58	Population (in millions) 47/48	57/58	Sales per Head £ 47/48	£ 57/58
Land-Value Rating States						
Queensland	110.7	313.3	1.106	1.425	100	220
New South Wales	335.8	932.3	2.984	3.726	112	250
West Australia	55.2	163.5	0.502	0.714	109	228
Improvement-Value Rating States						
South Australia	67.6	194.1	0.646	0.908	104	213
Victoria	234.6	669.9	2.054	2.771	114	241
Tasmania	25.3	69.8	0.257	0.347	98	201

9. Effect Upon Incomes of Working Population

In the earlier edition of this booklet it was seen that in the income year 1938/39 the average incomes from personal exertion alone in the land-value rating States were slightly higher and better spread than in the State still taxing improvements. The proportion of the adult population enjoying these higher incomes was 40 per cent. greater in the land-value rating States.

The statistics published in the 38th Report of the Taxation Commissioner for the income year 1956/57 are in different form and do not permit identical comparison for the later period. They do, however, give new detail permitting comparison according to the industry from which the income was mainly received.

This classification is available for all persons receiving income from personal exertion which is subject to provisional tax. The table below shows the average income per taxpayer obtained from Schedule No. 3 of that report by dividing the total incomes by the total number of taxpayers receiving them. Mining has been excluded owing to the small numbers concerned.

STATE	Average Income Per Taxpayer in Industry					
	Primary Production	Manufacturing	Bldg. & Constr.	Transport	W'sale & Retail trade	Eductnl., legal, medical & professional
	£	£	£	£	£	£
Land-Value Rating States						
Queensland	1,341	1,094	874	874	1,082	1,927
New South Wales	1,412	1,168	936	973	1,060	2,020
West Australia	1,116	1,045	836	885	977	2,087
Average	1,290	1,102	882	911	1,040	2,011
Improvement-Value Rating States						
South Australia	1,303	1,039	861	909	949	1,888
Victoria	1,122	1,223	939	898	1,067	1,906
Tasmania	1,042	932	901	819	1,002	1,719
Average	1,156	1,068	909	909	1,006	1,834

There is a differential in favor of the land-value taxing States for primary production (12%), manufacturing (3%), wholesale and retail trade (3%), and the professions (10%).

Only for building and construction is there a slight differential (2%) in favor of the improvement-taxing States, while for transport the figures are substantially the same.

In primary production and manufacturing the differential in favor of land-value taxing areas is actually greater than shown by the group averages. For primary production South Australia in the improvement-rating States has incomes comparable with those in the land-value rating group. It is significant that it is mainly the rural areas of South Australia where land-value rating applies.

By contrast, land-value rating in Victoria preponderates in the urban areas and is less frequent in the rural parts. Within the urban areas are located most of the factories in Victoria. The higher incomes from manufacturing in this State raise the group average closer to that of the land-value rating States than might be expected had taxation of improvements applied uniformly over the State.

Similarly in Victoria the urban areas which have removed local taxes from buildings and rate site-values in lieu provide almost two-thirds of the building construction in the whole State. To them is due the high income level for building and construction in Victoria.

While there is a clear differential in favor of the land-value rating States for income from personal exertion, including management, to which the foregoing figures apply, the position is reversed for incomes of taxpayers drawn solely from property. For these the States averaged respectively: Queensland £702, New South Wales £830, West Australia £747, South Australia £859, Victoria £849 and Tasmania £738. The land-value rating States averaged £760 compared to £815 for the improvement-value rating States, giving a differential in favor of the latter of 10 per cent. Property in this sense is not restricted to real estate, but includes incomes from other investments.

The numerically largest group of taxpayers not subject to provisional tax cannot be analysed according to industry, but its position is shown in the next

section, which compares "real wages" of industrial workers.

10. Effects Upon "Real" Wages of Industrial Workers

The following table compares "real" wage levels in the various States for adult males measured in terms of purchasing power over the "C" series list of items. The index figures compare with the "Weighted Average Real Wage Rate" for Australia in the base year 1911 taken as 1,000. They are for a full week's work, excluding overtime. The figures are given for pre-war year 1939 and the average of the ten post-war years to 1958 inclusive, the source being the Commonwealth Year Books.

STATE	"Real" Weekly Wage Rate	
	1939	1958
Land-Value Rating States		
Queensland	1,306	1,485
New South Wales	1,207	1,443
West Australia	1,308	1,420
Group Average	1,274	1,443
Improvement-Value Rating States		
South Australia	1,147	1,424
Victoria	1,180	1,427
Tasmania	1,153	1,415
Group Average	1,160	1,422

The low position of Victoria in this list may surprise many people, for this State houses a high proportion of the tariff-sheltered industries. Also the greater diversity of its industries than for less populous States might be thought to offer greater returns to labor.

The differential in favor of the land-value rating States in 1958 is less than it was at 1939. This might be expected, as the extensions of public charges on land values in the improvement-value rating States since 1939 have brought the two groupings closer in level of charges on land values than pre-war.

11. Effects Upon Home Ownership and Tenancy

The homes owned or under instalment-purchase by their occupiers are recorded in census years. These and the changes between the last two censuses of 1947 and 1954 respectively are shown below:

STATE	1947		1954		Change	
	No.	%	No.	%	No.	%
OWNED OR UNDER INSTALMENT-PURCHASE						
Land-Value Rating States						
Queensland	163,783	61.1	230,649	69.3	+ 66,866	+ 8.2
New South Wales	351,979	48.0	526,266	58.6	+174,287	+10.6
West Australia	69,073	56.5	103,496	64.4	+ 34,423	+ 7.9
Group Figures	584,835	52.1	860,411	61.7	+275,576	+ 9.6
Improvement-Value Rating States						
South Australia	94,169	56.6	139,429	65.3	+ 45,160	+ 8.7
Victoria	272,906	52.6	417,479	64.4	+144,573	+11.8
Tasmania	32,517	52.8	48,246	61.6	+ 15,729	+ 8.8
Group Figures	399,592	53.6	605,154	64.3	+205,462	+10.7
TENANT OCCUPIED						
Land-Value Rating States						
Queensland	87,040	32.5	88,425	26.7	+ 1,385	— 5.8
New South Wales	352,916	48.1	340,873	37.9	— 12,043	—10.2
West Australia	47,853	39.1	50,974	31.7	+ 3,121	— 7.4
Group Figures	487,809	43.4	480,282	34.4	— 7,527	— 9.0
Improvement-Value Rating States						
South Australia	65,955	39.7	67,033	31.4	+ 1,078	— 8.3
Victoria	228,575	44.1	217,577	33.3	— 10,998	—10.8
Tasmania	26,077	42.4	26,991	34.8	+ 914	— 7.6
Group Figures	320,607	43.0	311,601	33.1	— 9,006	— 9.9

In all States the trend has been towards home-ownership instead of tenancy. The proportion of occupied private dwellings which were owned by the occupants or in process of instalment-purchase at the successive censuses of 1921, 1933, 1947 and 1954 over the Commonwealth of Australia as a whole were respectively 52, 53, 53, and 63 per cent. The trend to ownership has accelerated in the post-war years partly because rent-controls maintained since the war had resulted that few dwellings were erected for tenancy apart from those constructed by Government Housing authorities. The increase in ownership in the States between 1947 and 1954 was achieved not only by construction of new dwellings, but many thousands of previously tenanted dwellings were in course of purchase by their occupants.

The proportionate increase in ownership between 1947 and 1954 ranged between 8 and 12 per cent., being least in Queensland, which had the highest proportion of home ownership (61%) at the 1947 census and was nearest to saturation, bearing in mind

that there is a group whose needs are best served by tenancy.

The ownership proportion would have been even higher but for Government dwelling construction for rental in the post-war period. The Government dwellings built in the various States to 1954 were:

Queensland (10,779); New South Wales (30,539); West Australia (8,371); South Australia (12,432); Victoria (29,589); Tasmania (2,930).

Allowing for these, the numbers of previously existing dwellings occupied by tenants in 1947, but in course of purchase by the occupiers in 1954, was:

Queensland (8,394); New South Wales (42,583); West Australia (5,250); South Australia (11,354); Victoria (39,591); Tasmania (2,016).

With the recent removal of rent controls, building for letting becomes economic, and the trend towards ownership may be curtailed. The proportion of home ownership in all States is high. It is actually higher than indicated by the census figures, since a proportion of those shown as tenants of their dwellings themselves owned homes elsewhere tenanted by others.

12. Effects Upon the Flow of Migration

One of the most delicate tests of whether conditions are favorable or not in any country is the flow of migration. If more people are coming to that country than are leaving it, we may be sure that the new citizens regard the prospects in their new home as better than those in the land they are leaving.

Conversely, when departures exceed new arrivals, it must be regarded as an ominous sign in the development of any State. In the following table we give the surplus of arrivals over departures covering the period 1929 to 1938, a period not complicated by State-aided migration:

It is most significant that the flow of migration was entirely reversed in the two State groupings. The land-value rating States showed substantial gain by net migration, the other group a substantial loss.

Queensland, with the heaviest public charges on land values, again showed by far the most favorable position among all the States.

Excess of Arrivals Over Departures, 1929-38

STATE	Increase by Net Migration	
	Number	per 1000 of 1929 population
Land-Value Rating States		
Queensland	+ 14,840	+ 16.5
New South Wales	+ 16,435	+ 6.5
West Australia	+ 2,665	+ 6.9
Group Average		+ 8.8
Improvement-Value Rating States		
South Australia	— 16,807	— 29.1
Victoria	— 5,624	— 3.1
Tasmania	— 3,463	— 15.5
Group Average		— 10.0

— sign shows departures exceeded arrivals.

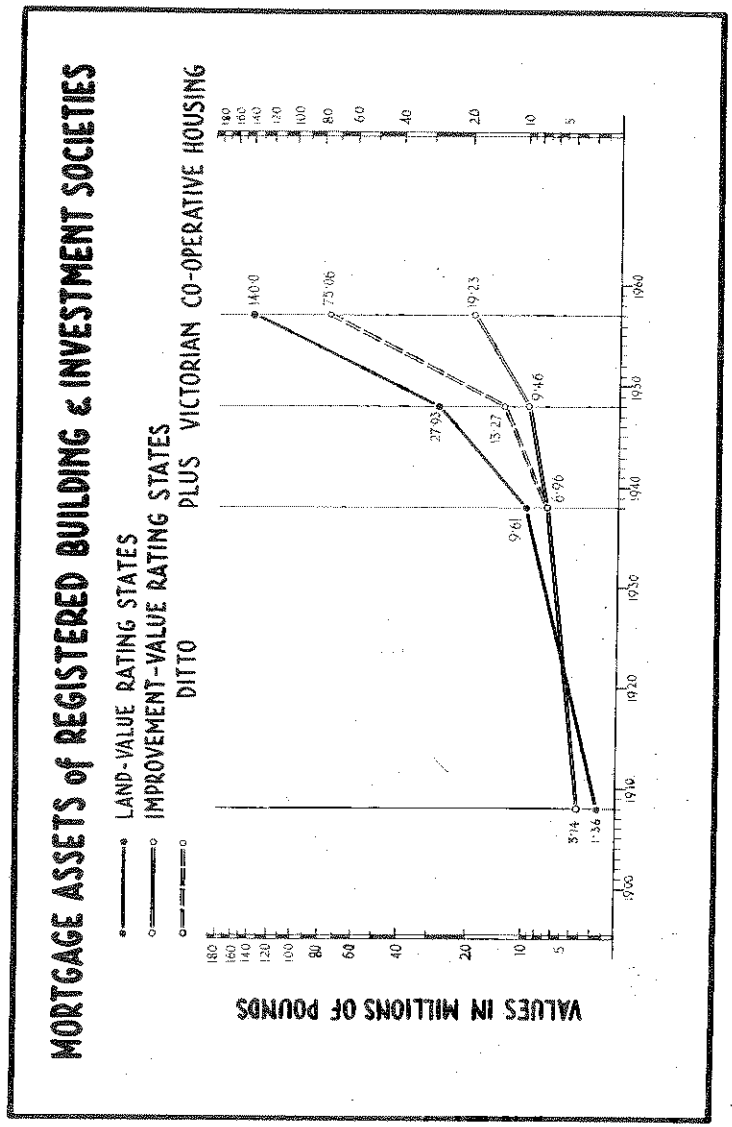
This comparison has not been made for the post-war period, as current trends do not reflect movements of free choice in response to economic conditions alone. The post-war years have seen colossal influx of new migrants driven by impelling forces other than economic conditions in Europe. Some States have done more than others to attract and settle the immigrants, and the differences reflect the effect of their varying publicity arrangements. In early post-war years New South Wales received most migrants, but latterly Victoria has predominated. Australia as a whole has absorbed immigrants at a rate of more than 1% per annum on its population since the end of the war. This is an extremely high rate exceeded by few, if any, other countries in the same period.

13. Effects Upon Mortgage Assets of Financial Institutions

As insurance companies, building and investment societies and other bodies have large funds invested upon security of mortgages, it is important to consider how the lower land-value levels in the land-value taxing States has affected their assets. (See chart — Mortgage Assets of Registered Building and Investment Societies.)

This is important in view of an impression held in some circles that heavy taxes upon land values, with resultant reduction of price levels for land, would endanger the stability of these bodies, and would lead to reluctance to lend money on such mortgages.

How groundless is this suggestion is shown by the



heavy increase in the mortgage assets of Registered Building and Investment Societies in the States rating and taxing land values most heavily.

For the first comparison below the figures are from the Commonwealth Year Books for years 1908 and 1939 and summarise the increase in value of landed assets from 1908 to 1938. The year 1907 saw the introduction of West Australian Land Tax and extension of rating on land values in the Road Districts of West Australia and the Shires of New South Wales.

The later comparison is for the post-war years ended 30th June, 1948 and 1957 respectively, sources again being Commonwealth Year Books and Finance Bulletins. In this later period the figures are for mortgages only, while in the earlier comparison they include also freehold property owned by the institutions. Mortgages form 86 per cent. of the total value of assets.

Mortgage Assets of Registered Building and Investment Societies

STATE	Total Value of Landed Assets	Increase in value of Landed Assets over period compared	
A. Pre-War Period	Year 1908	1908 to 1938	Proptn. on 1908
Land-Value Rating States (U.C.V.)	£	£	%
Queensland	353,111	1,471,443	417
New South Wales	908,076	5,542,081	610
West Australia	112,467	1,231,785	1100
Group Figures	1,363,654	8,245,309	605
Improvement-Value Rating States (N.A.V.)			
South Australia	294,211	402,022	134
Victoria	2,563,453	3,132,283	123
Tasmania	285,074	284,754	100
Group Figures	3,142,738	3,819,059	122
B. Post-War Period	Year 1948	1948 to 1957	Proptn. on 1948
Queensland	2,576,502	5,703,000	221
New South Wales	24,151,016	103,111,000	427
West Australia	1,202,347	3,318,000	276
Group Figures	27,929,865	112,132,000	401
Improvement-Value Rating States (N.A.V.)			
South Australia	1,211,807	1,555,000	128
Victoria	7,383,724	15,273,000	207
Tasmania	861,573	2,408,000	279
Group Figures	9,457,104	19,236,000	203

(Victorian figures do not include co-operative Housing Societies, under which most of the post-war home finance has been arranged. The corresponding figure for these at 1948 was £3,817,000 and the increase in loans on mortgage £43,555,000 to 1957.)

The difference between the two groups of States is very great and applies to both the pre-war and post-war periods. It shows unmistakably that there is no reluctance to invest money in mortgages upon property in those States rating generally upon land values, despite the effect of these public charges in reducing the price of land. The indications, in fact, point to easier credit in those States.

Why Assets of Institutions are Not Reduced

The reason for the investments of financial institutions being stimulated rather than prejudiced with the reduction of land values is because the mortgage is upon the complete property (land plus improvements).

The value of the land may decrease with heavier rates and taxes upon land value. But the removal of rates from buildings increased the value and stimulates the making of improvements to much greater extent than the decrease in land value, so the value of the combined assets is much increased.

This was seen from a previous section where total assets in land plus improvements were compared for these two State groupings. The assets in improvements alone in Queensland, which places the heaviest rates upon land value, were equal to the combined assets in land and improvements for Victoria.

It was found that each of the land-value rating States formed a sounder basis of investment than did any State in the improvement-value taxing group.

14. Effects Upon Co-operative Societies

The Co-operative Movement is being increasingly looked to throughout the world as a vital means of raising the living standards of peoples, and, through the democratic control and educational programmes which are features of these movements, a better type of citizen.

The United Nations' Conference on Food and Agriculture held at Hot Springs in 1943 recommended "that in order to make it possible for people to help themselves in lowering costs of production and costs of distribution and marketing, all nations should examine their laws and institutions to remove any legal and other restrictions upon the growth of these movements."

Analysis of the position of producers' and consumers' co-operative societies in the various States shows that there is a connection between the rating system employed and the development of such movements.

In the group of States rating upon the unimproved land values these co-operative societies have flourished and shown amazing development. In the States where rates are imposed upon the annual rental value basis, these movements have languished or made sickly development.

The growth of Producers' Co-operative Societies is shown in the following tables. The first repeats the previously published summary covering the growth between years ended 30th June, 1928 and 1940. Even a cursory glance shows that the whole scale of development of co-operative societies is quite different in the two groups of States.

STATE	Increase in Number of Societies	Increase in Members	Increase in Turnover	Increase in Assets	Increase in Reserves & Accum. Profits
			£000	£000	£000
Land-Value Rating States					
Queensland	60	29,800	7,945	3,488	1,302
New South Wales	48	33,800	12,719	1,624	847
West Australia	69	10,000	1,037	593	166
Group Figures	177	73,600	21,701	5,705	2,315
Improvement-Value Rating States					
South Australia	10	3,600	686	259	264
Victoria	2	100	—2,457	123	163
Tasmania	1	3,000	842	65	22
Group Figures	11	6,700	—1,449	447	546

— sign indicates decrease.

From this table it is clear that the co-operatives in the one group of States have been thriving over a

period when they have been stagnant or retrograde in the other group.

The development in the post-war period follows the same pattern. Collection of the West Australian statistics was discontinued during the war and not resumed since. For other States the numbers of members of producers' co-operatives at 30th June, 1957, with the increase this represents over the corresponding date in 1947 (shown in brackets), are as follows:

Queensland, 100,025 (21,810); New South Wales, 101,542 (21,951); South Australia, 14,353 (4,473); Victoria, 35,686 (decrease 3,199); Tasmania, 11,363 (1,051).

The post-war comparison below gives the Gross Turnover (Sales and Value of Assets in land, buildings, plant and machinery) expressed in £ per head of State population to give an absolute comparison of the relative position of producers' co-operative organisations in the States.

Post-War Development of Producers' Co-operative Societies

STATE	Value per Head of State Population for period ended 30th June:		
	Year 1948	Year 1957	Increase 1948-1957
GROSS TURNOVER (SALES)	£	£	£
Land-Value Rating States			
Queensland	17.15	35.34	18.19
New South Wales	10.74	25.12	14.38
Improvement-Value Rating States			
South Australia	4.57	7.39	2.82
Victoria	3.11	6.81	3.70
Tasmania	4.96	10.01	5.05
VALUE OF ASSETS			
Land-Value Rating States			
Queensland	4.53	10.48	5.95
New South Wales	1.27	3.37	2.10
Improvement-Value Rating States			
South Australia	1.01	2.41	1.40
Victoria	0.65	1.98	1.33
Tasmania	1.24	1.85	0.61

Both in the corporate life and that of the individual the co-operative movement counts for more in the

land-value rating States than in those rating on improvement-values.

There are, of course, other factors which have contributed to this result besides the rating system. Yet the difference in land policy pursued in the two groups has a much more direct connection with the result than has been commonly realised.

It has this connection through the controlling influence upon land values exerted by the greatly different scale of public charges on land values. We have already seen that, due to the rating of land values, the price levels for land are much lower in the land-value rating group than in the other group.

In the former group less outlay is required for land for the requirements of the society, leaving more capital to be put back into the business. The individual producers, too, who comprise the co-operative society, get their land more cheaply and have more capital left to use through their society.

In the latter group the benefits obtainable through the operation of co-operative societies tend to be capitalised back into increased land prices, operating against the business in its further expansion. These speculative prices, too, operate against the individual members of the co-operative, imposing burdens that lead to their failure with reaction upon the business.

This was particularly evident in Victoria. After the 1914-18 war thousands of farms bought at speculative levels were abandoned owing to the dead weight of charges for interest and principal based on the inflated values. By curbing speculative land prices land-value rating gives most important aid to the co-operative movement.

Co-operative societies make good use of their land holdings, and in the land-value rating group bear no heavier rate burdens as a result of this development than if the land had been put to inferior use. In improvement-value rating groups, however, they are called upon to contribute a disproportionate amount in rates which impairs their capacity to develop the business adequately.

15. Dairy Farms in Victoria and Queensland

The following economic comparison of dairy farms in Queensland and Victoria appeared in the 1945 edition of this booklet. It is now included as a case study showing the effect of the greatly different cost of land in the two States linked with their widely different levels of charges on land values. Currency inflation will have multiplied the money figures quoted about fourfold, but the relative position shown is still applicable.

These two States are extreme types. Queensland of a State in which the price of land is kept down by the heaviest public charges on land. Victoria of a State where little check is imposed on the rise of price of land through the rating system.

The following figures, analysing dairying costs in Victoria and Queensland, were obtained by a committee of dairymen formed to inquire into conditions in the dairy industry in the two States. In each case the averages are of 30 farms selected as typical. These farms were suppliers to butter factories in each case.

Comparative Dairying Costs

Item Compared	Victoria	Queensland
Number of Farms Averaged	30	30
Average Area in Acres	183	463
Average Dairy Herd, Cows	48	52
Cost of Livestock	£553	£832
Cost, Implements, Machinery	£631	£729
Land, Dwellings and Fittings	£3,953	£3,598
Ditto (per Cow)	£83	£69
Dwellings and Fittings (Est.)	£500	£500
Balance, Cost of Land Alone	£3,453	£3,098
Land Price per Acre	£19	£6.14
Difference in Price of Land Expressed per Cow	£14	—

Note: The relative prices per acre agree well with the relative level of land values between the two States found from other sources.

Difference in Capital Outlay on Land

Applying the figure of £14 per cow difference due to the price of land, to the Victorian farms of 48 cows we get the average amount of capital outlay to be met by Victorian dairy farmers above those of Queensland. We see that the extra capital outlay required by the Victorian was £670. **For this amount less in outlay the Queenslander was able to buy a farm of 2½ times the area.** The increased area rendered the Queenslander much freer from hand feeding of stock with reduction of his costs.

Saving in Annual Costs on Land

The Victorian farmer was called upon to pay interest on this extra capital outlay of £670, which, at

4½ per cent. on a first mortgage increased by that amount, means £30 per annum. In addition, repayments of principal on the increased capital sum, on State Savings Bank 33 years' terms, were increased by £22 per annum. The extra costs which the Victorian farmer must meet annually due to the higher price level of land therefore amounted to at least £52 per annum.

16. Conclusion

In the preceding comparisons, the States in which public charges have been imposed upon land values have been seen to be markedly better off than where public charges fall least upon land values and most upon improvements.

The important influence of land-value rating in curbing speculative prices and cheapening land has been too often overlooked. It has often seemed to observers that local rates are small compared with the income of a land holder and, therefore, could not be a potent influence.

This viewpoint has overlooked the fact that these rates are capitalised when land is sold in just the same way that the rent is capitalised. A comparatively modest annual rate, capitalised at 5% interest, will reduce the price of land (other things remaining the same) by 20 times the amount of the actual annual rate itself.

In this series of interstate comparisons it is not suggested that progress has been uniform throughout the various parts of the States compared. The limits imposed by nature and the changing conditions of usage mean very wide gulfs between the development in one district as compared with another in the same State.

Some local government units advance rapidly, others remain stationary, while others again may decline. The land policy will not greatly alter the basic potentialities of a district, but whatever those potentialities may be, public charges upon land values conduce to their full development.

The soundness of the principle of rating on land values is seen in the general satisfaction with which

it is regarded in those States in which its operation is general.

There is no public demand in these States to revert to the old system under which a large part of the rates fell upon the improvements.

This is in sharp contrast to the position in the remaining States, where active efforts are constantly being made for extension of the land-value rating principle. In these States, every now and then, more districts succeed in making the change and it is significant to note that once these districts do make the change, they do not revert, although their ratepayers have power to do so.

The beneficial social and economic effects which have attended the operation of land-value rating in the local government field point to the desirability of the extension to other activities of State and Federal Governments of this principle of public charges upon the wealth-producing potential evidenced in the ground rentals of this country.

ACKNOWLEDGMENTS:

In addition to specialist advice and help from the Panel Members, acknowledgments are made to the following, whose special work in research, analysis, preparation or illustration have enabled the study to be completed: G. A. Forster, B.Sc.; A. R. Hutchinson, B.Sc., A.M.I.E.Aust.; Richard Hutchinson; M. V. Lorman; J. H. Morris, J.P.; M. T. Williams, B.A. (Hons.), B.Comm., A.A.S.A.

Grateful acknowledgment is also made to the Henry George Foundation of Australia for assistance in the publication of this study.

APPENDIX

Local Government Authorities in Australian States

According to Rating System Used at 1/1/60.

A. RATING UNIMPROVED CAPITAL VALUE

STATE	Number of Councils.	Area Covered in Acres
New South Wales	242	177,236,000
Victoria	46	1,599,000
Queensland	133	429,120,000
South Australia	37	12,831,000
Western Australia	132	624,551,000
Tasmania	—	—
Australian Capital Territory	1	601,000
Northern Territory	1	18,000
Total Rating Site-Value	592	1,245,956,000

B. RATING NETT ANNUAL VALUE

STATE	Number of Councils.	Area Covered in Acres
New South Wales	—	—
Victoria	159	54,647,000
Queensland	—	—
South Australia	106	23,647,000
Western Australia	15	36,000
Tasmania	49	16,778,000
Australian Capital Territory	—	—
Northern Territory	—	—
Total Rating Annual Value	329	95,108,000

UNINCORPORATED AREAS NOT UNDER LOCAL GOVERNMENT

New South Wales	20,200,000
Victoria	114,000
Queensland	—
South Australia	206,766,000
Western Australia	—
Australian Capital Territory	—
Northern Territory	334,917,000
Tasmania	—
Total Unincorporated Areas	561,997,000

OTHER PUBLISHED SURVEYS OF THE LAND VALUES RESEARCH GROUP

Where still in print, these publications are obtainable from Mr. L. F. Bawden, Hon. Secretary, Land Values Research Group, 52 Guildford Road, Surrey Hills, E.10, Victoria, at prices shown which include postage as at the time of publication, July, 1961.

"Social Effects of Municipal Rating"

Study conducted in City of Footscray to obtain information on relative merits of alternative systems of municipal rating. Book of 60 pages, 56 photographs and statistical appendix: 3/6

"Reclamation of an Industrial Suburb"

Study made in the industrial-residential suburb of Fitzroy at the request of the Council to obtain factual information on the extent to which a change to site-value rating would help regenerate the blighted areas. Book of 40 pages, 96 photographs and statistical appendix 4/6

"Shopping Centre Surveys in Five Australian States"

Comparisons of retail business centres and their degree of modernisation or obsolescence in towns of various sizes according to municipal rating system in force 1/–
Detailed results for the smaller towns with 5 to 40 shops are available separately in a supplement if required at cost 6d. extra.

"How Site-Value Rating Would Affect Devonport"

Survey conducted for the Devonport Junior Chamber of Commerce with the co-operation of the Devonport Municipal Council in Tasmania .... *

"Provincial Rating Studies"

Warrnambool City (complete analysis all holdings)	1/–
Sale City (complete analysis all holdings)	1/–
Benalla Borough (complete analysis all holdings)	1/–
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"Rising Municipal Costs"

A comparative study of relative abilities of alternative rating systems to provide increased rate yield 1/3

The Austral Printing & Publishing Co., 119-125 Hawke St., West Melbourne, C.3.

LITERARY NOTE

This booklet embodies some of the results of research, by members of the Land Values Research Group, investigating the effects upon social welfare and material prosperity caused by the rating systems in the various States of Australia.

The fact that two different rating systems are in force in the field of different local governments gives the opportunity for comparative studies. The older system lays charges upon buildings and improvements, the newer system exempts these from taxation. Thus the two systems are definitely opposed in their incidence and hence in their social effects. This evidence has not received the widespread recognition which its importance deserves.

This booklet should serve a very useful purpose by extending knowledge of the important principle involved.

The material first appeared as a series of articles contributed by A. R. Hutchinson, B.Sc., to the Melbourne journal "Progress" and has been reprinted by courtesy of that journal.

E.F.H.

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