

NEW SOUTH WALES

A Story of Endeavour and Progress

(By A. G. HUIE.)

Some years ago I assured the late Joseph Fels that there was no part of the world where effort to further the Single Tax cause could be put forward with greater advantage than in New South Wales. The progress that we are making is substantial. It is not of course all that we desire, but when we compare it with what is being accomplished elsewhere, there appears to be reason to feel thankful and take courage. There is every prospect of a substantial step in advance this year. Before these notes reach the hands of the readers of LAND VALUES, we expect that the City Council of Sydney will have finally adopted rating on the value of land only as the sole means of imposing local taxation.

Some account of how this advance has been made may be of interest. For years we have endeavoured to get the Aldermen of the City Council to rate on land values only, but without success. We talked to them, reasoned with them, and exhorted some of them to stand by the promises they had made to the electors, but all in vain. In both 1914 and 1915 the proposal was defeated by a majority of two votes. There was only one resource left, and that was to make a strong direct appeal to the electors. In making such an effort a certain amount of discretion was necessary. There are many who favour local taxation on land values, who say that they are not single taxers. Others again are not freetraders. So we formed a sort of subsidiary League, called the "Unimproved Land Values Rating League." It had one object only in view—local taxation on land values in the City of Sydney.

The first step was to raise money to defray expenses, the second to circulate printed matter, the third to arrange public meetings, and the last to place a list of candidates before the public who were in favour of our reform. We did all these things and took other steps as well. The result was most satisfactory. The Sydney City Council consists of 26 Aldermen. In the old Council we had eleven definite supporters. Two or three of the remainder had been elected to support reform, but deserted. In the new Council—elected on the 1st December—fifteen of the Aldermen are pledged to reform, so that we have a majority of four. The new Lord Mayor is a supporter of the principle.

Some of our men who were unsuccessful put up a splendid fight. I was in the contest myself as one of the candidates, but of course was not elected. It was scarcely possible for me to win, as I was in a very conservative ward. The moral effect of the straight out challenge in this ward, however, was good. We disregarded all party cries and issues. We paid special attention to the ward represented by the late Lord Mayor. He was defeated by nine votes. The Chairman of the Finance Committee in the old Council was also defeated. But for our campaign both these gentlemen would, in all probability, have been re-elected. The whole course of City Government has been altered.

The new Lord Mayor lost no time in getting to business. He submitted a Minute to the Council, which was referred to the Finance Committee. It is now before that body. The rate will probably be struck early in April. The Minute concludes as follows: "I therefore recommend that the matter be referred to the Finance Committee, with instructions when submitting the estimates for the current year to provide for levying the whole of the rate required on the unimproved capital value as being the most equitable system in the interests of the City generally, which can be adopted."

Early in the year Municipal and Shire Councils outside the "City" prepare and notify their estimates for the year. As I have previously pointed out, the system of rating is

largely optional. A council must impose not less than one penny in the £ upon the capital value of the land. It may, in municipalities but not in shires, get all the rest of its rate or tax revenue from improved values, that is the capital value of land and improvements taken together. Of course if a council makes such a proposal the ratepayers may demand a poll and settle it over the heads of the Aldermen. The fact that land value taxation for raising local revenue is almost universal shows the hold which the idea has upon the public mind.

I make a point of collecting a number of particulars of local rates when the notices appear, to publish in our local paper, THE STANDARD. Outside the City of Sydney there are 321 local governing areas. Here are the particulars for 121 councils. The land values are assessed at £69,693,949. The average rate imposed is 2·84d. to raise £825,169. The rate may appear low, but that is due to the number of rural areas included where the maximum rate permitted by law is 2d., while a number do not exceed 1d. Councils may, however, impose local rates in addition.

Of the above list of Councils, 111 impose their rates entirely on land values. The remaining ten have, in addition to imposing rates amounting to £25,841 on unimproved land values, imposed additional and local rates on the improved value to raise £11,437. As the improved value includes the land value probably not more than £7,500 will be actually imposed on improvements. The reasons for these Councils rating to a small extent on improved values are not sound, but those localities seem short of one or two local active spirits to take the matter up and insist upon land value taxation only. But even apart from aggressive action for reform of that character the system of taxing industry locally is dying out.

I do not understand how it is that such great efforts have to be made in the United States, and even in New Zealand, to get the local people to vote at a poll, for taxation of land values for raising revenue for local services. Such polls, elsewhere, are often decided against reform, but never in New South Wales. Our polls are always won. Where Councils desire to borrow money they have to consult the ratepayers. The proposal itself may be defeated, but the second question to decide the basis of rating for interest and sinking fund is always carried in favour of rating on unimproved values only. Here is the latest example. The Ku-ring-gai Shire Council proposed a local rate for a public work in "C" riding. It was decided at a poll and defeated by a majority of 193 votes. The poll on the second question to decide the basis of the rate, if the proposal were adopted, was carried in favour of rating on land values by a majority of 205 votes.

The Land Valuation Bill is still before the State Parliament. Our local "House of Lords"—the Legislative Council—objects to a couple of sections. At the present time each Municipal and Shire Council makes its own assessment of the "unimproved" value of land, the "improved value" and the "assessed annual value" of all rateable property with this exception, that a large majority of the Shire Councils assess the unimproved value of land only. Valuations of land are constantly being made for resumptions by the Crown, for advances to settlers, &c., for probate and various other purposes. The Land Valuation Bill provides for one State valuation of land for all public purposes. Owners of land desire as low a valuation as possible for taxation; they desire as high a price as possible in case of State resumption in connection with public works or for purposes of settlement. The scheme of the Bill is to balance these two conflicting desires and so arrive at a fair average selling value as the value for all purposes. The Legislative Council in which the landed interest is very strongly represented objects to the public valuation being used in cases of resumption. It wants landowners to retain power to demand extortionate prices for land with the usual slow and expensive Court or Arbitra-

tion procedure to support them. This Bill is of much importance, but its fate is somewhat uncertain. [The Bill has now been passed. See last issue, p. 26.—Ed., LAND VALUES.]

While the Land Valuation Bill is a great improvement upon existing methods, it is by no means free from fault. I have long held the opinion that assessing the selling value of land for taxation purposes is unreliable. It cannot give a true valuation. The owner is only able to capitalise and sell his interest in a piece of land. Such a capital sum is arrived at by capitalising an actual or assumed yearly value or rent. If the land is unencumbered and not subject to a tax upon its value the owner can get the maximum value which the market will give. In assessing a property for taxation on the unimproved value we exclude the value of improvements. It will be obvious that when a tax is imposed upon the value of the land that the selling value of the owner's interest is reduced by the capitalised value of the tax. Instead of the owner enjoying the whole value of the land he has now to share it with the community. The selling value, therefore, ceases to be the real unimproved value when a tax is imposed. The question is a complicated one. In order to meet this difficulty we made strong representations to the Government that in assessing the value of land the effect of the tax, say on a 5 per cent. basis, should be excluded in the same way as the value of improvements is excluded, but without result.

Land values have enormous power to carry taxation, while the tax imposed is small, an assessment which is not full, may not do much harm. But our object is to secure the whole yearly value of land for public purposes. A small tax is only a small step in the right direction. If it is imposed in a way that raises a difficulty it will make the next step harder to take. When the rent of land goes into the public treasury, land will have no selling value. Men will only sell their improvements. The buyer will take over the responsibility of paying the taxation. As we proceed to make substantial headway in taxing land values the selling price will be quite useless as a basis for taxation. Land value, apart from the excess value due to monopoly or speculation, is indestructible. All that we can do is to decide whether private individuals or the State shall get it.

There are several objects which we must set out to attain in the future. The water and sewerage systems in the Sydney Metropolitan area and in the Hunter River district, which includes the City of Newcastle, are controlled by water boards. The largest source of revenue of these boards is a rate which is struck upon the assessed annual value of property. One of our efforts in the near future must be to secure an alteration in the basis of the rate for water and sewerage. In a number of country towns the water rate is now on land values. There is no reason why the old system of taxing improvements should continue anywhere. Some time ago I got particulars of all the properties fronting the water board mains in five adjoining suburban municipalities. I found that the average cost of the service was nearly six times as much to a householder as to an owner of a vacant lot. In those municipalities there are over fifty miles of frontage to the water mains unbuilt upon. The capital cost of the system is excessive, because of the amount of vacant land served, which of course is enhanced in value by the public expenditure in providing a water supply. Water supply is a local service. Imposing a rate for it on the use of land has all the vicious features of similar rates for other local services. I think that the latent public feeling for reform in the rating system for water supply and sewerage only needs proper working up to be effective in securing a change.

The problem of land for returned soldiers is with us. Political busybodies are fussing about with futile expedients. Apart from us, no one has courage to go to the root of the evil—the monopoly of land. Although our system of local

taxation on land values has done much good, still the profits of land monopoly are very large. There is plenty of land in New South Wales. In fact, we have more than $2\frac{1}{2}$ times the area of the British Isles and fewer than two millions of people. In spite of that there is a serious shortage of good available land for settlers, immigrants, and returned soldiers. If we could only induce Parliament to devise a means of requiring owners of land to confine their attention to the amount of land they were able to effectively use there would be plenty of good land for all. In fact, more general use of land will be our only resource when the war is over, and we will be crippled to the extent that we are compelled to pay ransom to the "owner." We have a scheme, a good practical working scheme. The Government has spent over seventy millions on railways and tramways to open up the country—mostly borrowed money. Interest on that large sum is a charge or tax upon the traffic. Constructing the lines has enormously increased the value of land. Therefore we say that the interest on cost should be a charge upon the value of land instead of upon the traffic. Such a charge would allow of at least a 20 per cent. reduction in freights and fares, while it would force idle land into use and partly used land into full use. Many branch lines do not pay at present, but under such a system would pay handsomely.

Finally, there is the question of Free Trade. The local champions of special privilege are trading upon the race hatred engendered by the war. In this way they are seeking a higher tariff. That would mean adding to our already excessive cost of living. It is not really trade with Germany after the war that they want to prevent, but with all countries, especially the United Kingdom. These people know no political "truce." Protection is immoral, war or no war. Let us by all means give the Germans the biggest drubbing they have ever had. Let us break the pernicious spirit which dominates them. But when peace comes, let us put away the causes which make for war, amongst which a protective tariff is one of the most prominent.

NEW ZEALAND

A Statement by the Hon. George Fowlds

The Hon. George Fowlds contributes a timely and instructive article to a symposium of OPINIONS ON THE WAR, published as a memorial in Auckland, the proceeds of the sale being devoted to the Wounded Soldiers Fund. Mr. Fowlds writes on the "War and After" as follows:—

It is somewhat hazardous to venture any definite expression of the after effects of the War before we know when and how it will terminate. Very much depends on how long the war lasts, and how complete may be the overthrow of Prussian Militarism. The possibility of a final German triumph will not be seriously considered by Britons until complete exhaustion comes, and that is still a long way off.

The Public Debt of Great Britain will amount to £2,000,000,000 next March, without including the £1,500,000,000 of war indemnity which Germany hopes to be collecting by that time, and if the war continues until the end of next year, which is possible, the two thousand millions will be increased to nearly four thousand millions.

The figures are colossal, and the effects of collecting sufficient revenue to pay interest and sinking fund on such a huge debt would alone be a perplexing problem, requiring a larger sum annually than the total amount of the Imperial Budget in the year before the war commenced.

The annual payments for pensions to wounded soldiers and their dependents, will for many years to come mean another fifty million to one hundred million pounds a year, according to how long the war lasts.

An annual Budget of four or five hundred millions pounds a year is enough to make a Gladstone turn in his grave, and will cause even a Lloyd George to think furiously: