

SUMMARY OF THE TERMS OF REFERENCE

THE Commission will inquire into and report on:

Is a rate on land the most appropriate method of financing the services that councils are authorised to provide under the Local Government Act?

Do the systems of valuation now applying provide satisfactory bases for the equitable distribution of the rate burden?

Should the rate be on the unimproved, improved or assessed annual value of land?

What changes, if any, are necessary in the valuation system relating to rating of land, land taxation, assessment of stamp and death duties and settlement of claims for compensation for resumed land?

If the systems of valuation do not provide satisfactory bases for the equitable distribution of the rate burden, what other system or systems would?

On what basis, if any, should revenue available to councils from rating be supplemented, and from what source?

If a rate on land is not the most appropriate method of financing local government services, how should such services be financed?

SITTINGS COMMENCED in October, 1965 and the proceedings will almost certainly prove to be the most exhaustive inquiry made on the subject. Transcripts of the proceedings can be purchased by the public.

The following is a condensation of the evidence of witnesses whose contributes are of special interest.

ALBERT MAINERD (*Local Government Association*)

This witness put the main submissions which gave rise to the establishment of the Commission. The broad lines of argument put by his Association were that rates on the unimproved value of land are favoured so far as the rating system is concerned, but the Association wants them supplemented from other revenue sources. The general argument is that the percentage increase in municipal rates has been greater than that for State taxes since the war; that this proves that rates have reached saturation, and that it would be better to provide State or Federal grants from taxation rather than levy extra municipal rates. (It was shown in later submissions to the Commission from the Land Values Research Group that the Local Government Association's calculation of the percentage increase in State taxes is wrong and that they actually increased very substantially more than municipal rates.)

Later submissions from the Association have pressed for a "residential tax" (euphemism for a poll tax) as supplementary revenue. Certain proposals were made for an arbitrary increase in the unimproved value for rating purposes of commercial buildings having more than three storeys.

Site-Value Rating

THE NEW SOUTH WALES LOCAL GOVERNMENT

The Royal Commission was appointed by the Local Government Association seeking sources on grounds that rates had reached saturation by the N.S.W. Government comprises Justice, Haviland and I.

H. W. EASTWOOD (*Valuer General for New South Wales*)

This witness made some of the most important submissions. His Department submits, broadly, that it should be relieved of the responsibility of making valuations of land and buildings taken together and be required to assess only the site value—this to be a re-defined variant of the unimproved capital value—which would be broadly, the market value less structures. (This view considers clearing, filling and reclamation as merged into the land value after a period, instead of taking special account of their cost as improvements, and is for simplifications in valuation practice). The Valuer General's problem is that he is required to value all the municipalities at intervals. Some years ago these were triennial, but with the higher valuation standards now required it takes much longer to value improvements and this has caused deterioration to the point where valuations are only made at six-yearly intervals. A high proportion of councils have not even been brought into the valuation cycle as yet. If he were freed of the requirement to value the improvements he could undertake an annual revaluation of the site value, which would remove anomalies that must appear with such a long re-valuation period as six years.

SYDNEY S. GILCHRIST

Two stages of inquiry were suggested by Mr. Gilchrist. First to find what criticisms might be advanced against the existing system, and then a second stage allowing for refutation or amendment.

He supported the continuance of rating on site values as the sole means for providing revenue for local government (apart from direct payments for service, and from business transactions). He was against any other taxing method by local governments and against the continuance of grants, subsidies or other financial assistance to local government from central government funds. He supported a change in the method of providing revenue for the Metropolitan Water Sewerage and Drainage Board from annual value to site value for the basic payments (apart from excess water) and the removal of all exemptions, except for those Commonwealth and State Government sites which are not used in direct commercial competition with private enterprise.

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ROYAL COMMISSION ON FINANCE AND VALUATION

Following representations from the N.S.W. supplementary grants or other revenue "saturation." The Commission appointed Mr. Elsie-Mitchell (chairman) and Messrs. as members.

JOHN J. WICKHAM (*Town Clerk, City of Greater Wollongong*)

Mr. Wickham gave a very comprehensive and well documented submission. Among the most important material was the clear evidence given that for the vast majority of single dwelling houses in Wollongong the current site-value rates are much less than they would be on a site plus improvement basis.

It was specifically mentioned that the Wollongong Council had studied the booklet *Public Charges upon Land Values* issued by the Land Values Research Group. On the basis of the material shown there on effects of the rating system, it opposed any change from the unimproved value rating basis.

Although Mr. Wickham drew no conclusions from it, he included for the information of the Commission statements presented by Mr. Clark (City Valuer of Auckland, New Zealand) opposing unimproved value rating and from Dr. V. J. Chapman (a City Councillor) in support of unimproved value. These statements were given to the Auckland Council when a proposal to change to the unimproved value system was under discussion some years ago.

LIONEL B. BOORMAN

This witness, representing The Association for Good Government, gave a comprehensive statement of the principles of land-value rating and the practical effects of its application. Broadly, the Association considered that a rate on land is a suitable basis for payment for local government services; that the assessment should be the unimproved value and not the improved value; that the Metropolitan Water Sewerage and Drainage Board and other statutory bodies should change from the present basis of rating to the unimproved basis; and that there should not be any other revenue source used to supplement the rate on land for municipal finance.

EDWARD B. DONOHUE

This witness for The Association for Good Government dealt with many of the arguments used by the Local Government Association in support of its plea to supplement rates from other sources. Some claims which were refuted were such general statements as "rates are a burden," "local government rating on site values is proving

inadequate for the modern age" and "councils have been forced to levy rates so high that in many cases they are becoming difficult to collect." Mr. Donohue also dealt effectively with the proposals for a penalty tax upon multi-storey commercial buildings and for a poll tax.

WILLIAM C. BURGES (*Town Clerk, Newcastle City*)

Mr. Burges was unequivocal in his support of unimproved value as the main basis of rating, but wanted it supplemented by a local income tax. He gave information on finance methods in various countries overseas.

In dealing with property taxation in the U.S.A., he referred to "the growing interest there in the system of site valuation taxing adopted almost universally in Australia and New Zealand." He also referred to the August, 1960 issue of *House & Home* dealing with this subject, and to the Cowan Report.

Mr. Burges was very well informed and was not taken in by the claims that "rates have reached saturation point," or that each flat in multi-unit buildings should be subject to a minimum rate. He criticised both these arguments and regarded the second as inconsistent with the principles of site-value rating.

FREDERICK D. BOLIN (*Town Clerk, Woollahra Municipality*)

Woollahra is the municipality most favoured by the Metropolitan Water, Sewerage and Drainage Board's rating on annual improved values, as compared with unimproved values, as shown by the 1960 survey. This municipality contains properties of abnormally large area and value which would generally be thought most indicative of "ability to pay."

The council has imposed a minimum rate of £25, which effectively passes a lot of the contribution which should be made by the large holders under site-value rating on to small holders, whose fair contribution should be much less than this. The council is in favour of differential rating, with some classes of properties rated under improved values and others under unimproved values.

Mr. Bolin quoted portions of the misleading Auckland report already mentioned, and criticised the report of the Local Government Association which endorsed the unimproved value system as the best form of rating.

HENRY J. MANNING (*Department of the Interior*)

Mr. Manning is in charge of rating in the Department of the Interior at Canberra. He has had valuation experience with the Snowy Mountains Authority and with the Government of Singapore, and has made researches for the Lincoln Foundation (U.S.A.).

He dealt in his submission with rating systems in other countries, particular in South Africa, the United States, Hawaii, Singapore and Ireland.

He then went on to make some very significant observations, backed by detailed statements, on the relative incidence of rates and land tax on business properties in

four capital cities in Australia—Brisbane, Sydney, Melbourne and Adelaide. He dealt with the general place of rating in the Metropolitan area in each case. He listed obsolete central business properties which had been sold recently in Brisbane, comparing the income they were realising at the date of sale with the total rates and land tax attracted under the site-value rating method. This showed that in some cases the liabilities exceeded the cash income and in others there was not much left to the owners while the properties were held in the underdeveloped condition. There was, therefore, a strong stimulus to make owners put buildings on them commensurate with the potential shown by the land value. He developed similar comparisons for the capitals, showing that the impetus to develop was less in Melbourne than in either Brisbane or Sydney, were it did not pay to buy up old business buildings and hold them to reap increased land value. In these places buildings were pulled down and new ones arose relatively soon. But he showed that in Melbourne old buildings were being bought and not re-built, but treated as an investment because the "appreciation" in value of the land was much greater than the outgo in rates.

RUTH ATKINS (*Associate Professor of Political Science, University of New South Wales*)

Miss Atkins has specialised in local government matters for about the last ten years. She opposed the suggested poll tax and did not consider this, or local income taxes, or special taxes for local authorities, as workable means to supplement the rating system. She disagreed with the claims made by the Local Government Association suggesting that local government and councillors were perfect. She pointed out that the Minister had dismissed at least three councils in recent years for a consistent failure to raise the necessary funds. Other councils have had to be run by government-appointed administrators. Timidity and a reluctance to raise money were at least as common a fault as readiness to impose rates to give adequate finance. She considered most councils were not rating heavily enough. She was critical of much of the material used by the Local Government and Shires' Association, and considered much of their statistics unsound—particularly the comparisons on percentage increases in rates with other indicators and the comparisons with rating levels in other countries. She favoured land-value rating as an appropriate basis for local government revenue.

(Adapted from a report in *Progress, Melbourne*.
To be continued.)

The book *Go Ahead and Live*, edited by Mildred J. Loomis, which was reviewed in our last issue, is published by Philosophical Library and distributed by Book Sales Inc., both of New York, at \$4.00.

Crooked Thinking

WHEN the Ministry of Housing and Local Government discovered that less than half of the estimated number of people had applied for rate relief, it put advertisements in three Sunday newspapers, underlining the publicity already given by local authorities.

According to a survey carried out by the Rating and Valuation Association, the possible half million people who have not claimed relief are probably local authority tenants or others who pay rents inclusive of rates and do not consider themselves to be ratepayers.

Exemplifying the crooked thinking of our times, *New Society* considers that the Ministry should be prepared to "invest" in a national campaign to see that the rebate system works. The thought of the Government "investing" taxpayers' money to ensure that some taxpayers are not taxed more than they ought to be must produce the reflection that something is wildly wrong with the tax administration.

Form Fillers

STATUTE LAW has the unhealthy by-product of increasing the quantity of official paper in circulation, as well as adding to an ever-increasing bureaucratic force to "help us to help ourselves."

These trends have recently been discerned in the Race Relations Act which has established the Race Relations Board and two Race Relations Conciliation Committees, one in Manchester and one in London. Six more Committees will consider complaints of discrimination lodged under the Act. To help the system find its feet 200,000 "complaint forms" have been distributed, and no doubt some of the people who decide to register a protest will need help to fill up the form.

While liberally-minded people properly deplore racial discrimination, the appearance of the Conciliation Committees and their paper work must strengthen one's doubts about the wisdom of attempting to legislate on matters of personal conscience, which in the long run can be resolved only by education, understanding, trust and a deep respect for human dignity.

FIAT MONEY INFLATION IN FRANCE

By Andrew Dickson White, Crystal-clear, devoid of sophistry, this painstaking account by an eminent historian and statesman (1832-1912) of the cause and mechanics of monetary inflation in revolutionary France and of the material and moral havoc it wrought, is invaluable to the student of the prevailing inflation in the Western World. 4s.