

NEW ZEALAND — PROMPT ACTION BY THE LEAGUE

The Parliamentary Select Committee on Local Government began its sittings in Wellington on February 20, and will hear evidence till March 1. Its Order of Reference includes constitutional matters, functions of local bodies, areas and boundaries, finance, rating valuations, local body loans, hospital control, etc. On the first day the New Zealand League for the Taxation of Land Values Inc. submitted evidence in a long and most comprehensive statement, prepared by Dr. R. O'Regan, the president of the League. The document received wide notice in the Press, the *Wellington Evening Post* of February 21 reprinting numerous extracts spread over its columns in various pages and with suitable headlines. Dr. O'Regan's evidence was well summarised in the national daily *The Dominion* of February 21 and we give that summary in full, with our own sub-heads inserted:

The New Zealand League for the Taxation of Land Values yesterday submitted the following propositions to the Parliamentary Committee on Local Government:—

- (1) That rating on the unimproved value should be made mandatory.
- (2) That valuations should be made at regular statutory intervals.
- (3) That the hospital rate as at present operating should be maintained.
- (4) That water rates should be struck on a uniform basis on the unimproved value.

(5) That it should be made illegal to transfer profits of municipal trading departments to the general account.

Evidence in support of the propositions was presented by the president of the league, Mr. R. O'Regan, F.R.C.S.

Reasons for advocating a single uniform system of local taxation, he said, were: Present rating methods were chaotic and confusing and in practice resulted in many anomalies. A single system of rating operated in favour of local body amalgamations. It was claimed that the single system operating should be rating on the unimproved value because of the intrinsic merits of that system; because rating on the unimproved value had spread constantly over the past 46 years and was now the dominant system of local taxation in the country; and because capital value and annual value rating was a severe check on housing and other construction.

HOUSEHOLDERS BENEFITED

Discussing the effect of unimproved value rating on the home-builder, Mr. O'Regan said that, taking 120 average Wellington houses, the rates under the present system were £10 10s. each, and under the capital value rating they would be £17 19s. 6d. each, an increase in the rates of £7 9s. 6d. a year, or 2s. 10d. a week. In the case of 72 State houses in Wellington, the difference in rates under the two systems averaged £11 3s. 2d. a year, or 4s. 3½d. a week. It was clear that houses in an unimproved value rating area paid much lighter rates than where capital or annual value rating prevailed.

MAKE LAND VALUE RATING UNIVERSAL

Summarising submissions on the first proposition, Mr. O'Regan said: "Making the unimproved value rating mandatory will simplify local taxation, valuation and administration. It will make local body amalgamations easier. It will make universal the advantages inherent in the system. It will mean a reduction in rates to the majority of ratepayers at the expense of those who, holding land, for various reasons do not use it or use it far below its economic possibilities. It will act as a stimulus to house-building

and all development work. It will stimulate employment in the building and ancillary trades. It will thus play at this time a useful part in the rehabilitation of our men returning from overseas, who will be looking for jobs."

PERIODIC VALUATION

On the second proposition, Mr. O'Regan said that in practice at present the intervals between valuations were a great deal longer than they ought to be. Wellington city had not been valued for 10 years. He was sure a great deal of the discontent of local body officers with rating on the unimproved value arose from the fact that the valuations were made irregularly and at such uncertain intervals, and that rates had to be struck on valuations which were out of date. "It is our view," he said, "that valuations should be at least quinquennial; triennial valuations would be better, but at the present juncture may not be practicable. We regard a five-years interval as the greatest possible and it should not be exceeded."

HOSPITAL FINANCE

In support of the third proposition, that the hospital rate be maintained, Mr. O'Regan said that the general effect of abolishing the levy, whether it were replaced by increased wages tax or further payments from the Consolidated Fund, would be to shift the taxation from the richer to the poorer section of the community. The vast majority of ratepayers would actually pay more toward hospital costs as wage-tax payers than they now paid in rates.

If the rate were abolished land values would immediately advance. The seller of property would get a higher price, which the buyer would pay. The new ratepayer (the buyer) would pay the hospital rate capitalised in the price of his purchase and would not be one whit better off for the abolition of the rate. As a wage-tax payer and consumer, however, he would continue to be taxed ad infinitum to provide the £1,250,000 which used to be paid out of the rates. The seller of the property alone will get an advantage from the transaction and the "investor" and speculator above all.

Another objection to the abolition of the hospital rate was that it logically implied the abolition of hospital boards and the loss of local control in the management of hospitals.

WATER RATES AND MUNICIPAL PROFITS

In regard to the fourth proposition, Mr. O'Regan said that the law stipulated that a half rate should be charged on properties to which water "can be but is not supplied," and on properties used for purposes other than dwelling-houses.

"We believe that these two classes of property should pay full rates, and we urge that the law should be amended accordingly," he said. The fact that a water supply was available on demand enhanced the unimproved value of a section and increases its market value, and that increased value should be the measure of the rate.

On the fifth proposition, Mr. O'Regan said it was not easy to see any justification for the profits from municipal trading accounts being applied in relief of rates. There was no justification whatever for ratepayers receiving a rebate which in fairness should go to the municipalities' trading customers. Any surplus should be applied in reducing the cost of lighting, heating, milk, etc. This would be an act of justice not only to the non-rate paying portion of the community, but also to industry, where the

cost of lighting and power was a considerable overhead expense. Such an amendment would benefit all citizens—including rate-payers.

Dr. O'Regan's evidence was accompanied by an informing map of New Zealand marking the counties, cities, boroughs and towns (and road districts) which at present levy rates (a) wholly on land values, under the 1911 Act; (b) partially on land values under the 1896 Act, which by its Section 20 excluded water, gas, electric light, sewage and hospital and charitable aid rates from being levied on the land values basis; (c) on the capital or the annual value of land plus improvements without distinction between them.

The 1911 Act repealed Section 20 of the 1896 Act and since that date, following a successful poll, all rates are assessed on the unimproved value. In those areas where a poll to adopt Land Value Rating had been carried prior to 1911, a further poll was needed to apply the system to the rates mentioned in Section 20 of the 1896 Act.

A tabular statement shows that the Land Value Rating system is now in operation in 60 of the 124 counties; in 83 of the 127 boroughs; and in 16 of the 34 towns—that is in 159 of these 285 local authorities. The system has been carried in addition in 14 boroughs at least, which have lost their identity by amalgamations; of these there are five in Wellington, five in Christchurch, one in Dunedin, two in Auckland and one in Wanganui. It appears from the map that not more than 23 of the 159 areas operating the system do so under the limitations of the 1896 Act; the rest of the 159 areas levy all rates on the value of land alone.

As Dr. O'Regan says: "Since its introduction in 1896, unimproved value rating has spread steadily in counties, boroughs and towns. Its spread has taken place against the opposition, often bitter, of vested interests and against the natural social inertia militating against change. Every poll has demanded time, energy, money, organisation and initiative from ordinary citizens. Capital value and annual value (i.e., the taxation of improvements) have been imposed from above. Unimproved value rating has come at the insistent demand of the democratic electorate and has steadily replaced opposing systems. It has long passed the experimental stage. It has been vindicated by 48 years of constant and repeated endorsement by the ratepayers. It has become on its own merits the dominant rating system of the country. Seldom has any local body discarded it for long. It has proved itself. It should be made universal."

2s. 6d. LAND VALUE RATING. Theory and Practice. A handbook for all interested in municipal finance and the rating question. By F. C. R. Douglas, M.A., L.C.C., M.P.

2s. 6d. LAND AND FREEDOM. A new, comprehensive and up-to-date treatise on Land Value Taxation. By Frederick Verinder.

2s. 6d. THE THEORY OF HUMAN PROGRESS. By Patrick Edward Dove. Abridgement by Julia N. Kellogg.

2d. THE NEW POLITICAL ECONOMY. By John B. Sharpe.

6d. THE PROBLEM OF EMPLOYMENT: REVERIDGE FAILS TO SOLVE IT: WHAT WILL? Published by the Staples Press, Ltd.