

ECONOMIC AND SOCIAL SCIENCE RESEARCH ASSOCIATION

Council of Management

R.C. Clarke
A. Haviland-Nye
R.B. Linley
R.W.O'Regan
R.D.Young

Secretary

V.H. Blundell

Registered Office:

Unimex House, 600 Green Lane, Goodmayes, Ilford, Essex IG3 9SR
Tel: 01 834 4979

Limited by Guarantee

Reg. in England No. 956714 (Charities Act 1960)

T H E A U T H O R

ALLAN R.HUTCHINSON was born in Auckland, New Zealand and obtained his B.Sc. at Melbourne University. He was one of the founders of the Land Values Research Group, which committed itself to undertaking empirical studies of the economic effects of land taxation.

The address of the Land Values Research Group is 32 Allison Avenue, Glen Iris, 3146 Victoria, Australia.

C O N T E N T S

| | Page |
|-----------------------------------------------------------------|------|
| E.S.S.R.A. | ii |
| The Author | iii |
| Preface <i>Fred Harrison</i> | vi |
| Introduction | 1 |
| Methods Used to Collect Site Rental Value | 3 |
| Land Valuations in the Various States | 6 |
| How Much of the Site Rental is Collected? | 11 |
| The Proportion Publicly Collected | 16 |
| Is Site-value Taxation Making Progress in Australia? | 22 |
| What is the Total Site Rent Potential of Australia? | 33 |
| Appendix "A" Land Ownership in the Australian States | 39 |
| Appendix "B" Rating Systems in the Australian States | 40 |
| Appendix "C" Land Rent Collected in New South Wales | 41 |
| " " " " Victoria | 42 |
| " " " " Queensland | 43 |
| " " " " South Australia | 44 |
| " " " " Western Australia | 45 |
| " " " " Tasmania | 46 |
| " " " " Northern Territory | 46 |
| " " " " Australian Capital Territory | 46 |
| Statistical Sources | 47 |

P R E F A C E

ONE HUNDRED YEARS AGO, Henry George convincingly demonstrated that land rental income was the "natural" and just fund out of which a monetised economy should derive its revenue to finance public expenditure. Because he argued that this one single tax would produce beneficial results for both production and income distribution, and that other taxes were injurious to the economy, his teachings gave rise to what became known as the "single tax movement".

Ever since then, the major criticism from opponents of the philosophy of property rights that underpins this fiscal reform have used the notion of the "single tax" to attack George and his book, *Progress & Poverty**. They have asserted that public spending far exceeds the income of the land-owning class**. Triumphantly, this has been held to clinch the case against the proposal to tax the annual value of land for the benefit of the community. It does no such thing.

First of all, the constructive influences of land-value taxation on the industrial economy are sufficient in themselves to commend this fiscal policy. No matter how much (or little) the tax would raise for the exchequer, the dynamic impact - through, for example, the termination of the destructive power of land speculation - would justify placing the tax at the disposal of the chancellor.

Secondly, however, the critics who use the argument that land rental income would not finance all of public spending have conveniently ignored a crucial question: what are the justifiable limits of public expenditure? Henry George did not advocate land-value taxation as a form of alchemy; profligate rulers of old, who were compelled to debase their citizens' currency to finance their wars and lavish living, learned that their chemists could not fructify gold out of a cauldron! The case for tapping the value of nature's resources for the benefit of the community does not fall because the revenues would not finance the annual multi-billion pound budgets that are required for the weapons of death that currently distort the consumption of the wealth of nations.

Thirdly, however, the critics have based their verdict on a conclusion reached by the route taken by many a crooked businessman: they have "cooked the books". Or, just as bad, they have simply ignored all the facts; they have refused to do their arithmetic before levelling the charge that land values would produce paltry revenues. Allan Hutchinson's study begins the systematic attempt at straightening out the books.

* First published in 1879; centenary edition published by Robert Schalkenbach Foundation, New York, 1979.

** One of the earliest of these critics was William Hurrell Mallock. For a critique of his statistical computations and arguments, see R.V. Andelson, editor, *Critics of Henry George*, Rutherford: Fairleigh Dickinson University Press, 1979.

Hutchinson, the Director of the Land Values Research Group, has made a life-time study of land rental income in Australia. For the purpose of this present analysis, he takes the fiscal year 1976/77 to examine the accounts of the continental economy.

It is symbolically apposite that this critique should take Australia as its case study, for a large proportion of the country's municipalities levy their rates (the local property tax) on unimproved land values alone.

In 1976/77, revenue from Federal, State and local government taxes was A\$24.8 billions. The revenue from land value taxes, local authority rates on land, and lease rents, totalled just over \$1.6 billions. This figure, although it does not include the \$241.1 million royalties from publicly-owned mines and forests, is a fraction of public revenue. However, if the full assessed value of all sites were taxed for the community's benefit, the sum raised would be \$4.5 billions. This figure is arrived at by calculating the portion of site values left in private hands under the existing fiscal system, which Hutchinson estimates at \$2.9 billions.

It would be premature of critics of Henry George's philosophy to regard these statistical magnitudes as a vindication of their opposition. For the figure of \$4.5 billions seriously understates the potential annual income to be derived from the soil fertility, minerals and locational attributes of the Australian continent. To reach an accurate figure, a variety of adjustments have to be made.

Even if we froze the Australian economy into its present form, we would find that rental income is much higher than at first sight seems to be the case. For example, official valuations understate the value of land. Revaluations are not on an annual basis, but vary from periods between two and ten years. Thus, when land values are rising rapidly, as in the 1970s, this leads to serious distortions in the statistics. Hutchinson has calculated that the under-estimates can vary from 59 per cent (Queensland) to 108 per cent (Tasmania). By recomputing the data in accordance with the growth trends found with the most recently revalued property, Hutchinson discovered that the true figure of rental income remaining in private hands leapt from \$2.9 billions to at least \$4.2 billions. So it appears that the true taxable capacity of landowners is well concealed from the public!

The next point to note is that the values given for rateable land do not include the value of mines, for which rights to royalties are usually reserved to State governments. They also exclude a substantial proportion of holdings that are exempt from municipal rates and land taxes. These comprise properties held by the Commonwealth and State governments, religious bodies, hospitals and charities. The total value involved for all States is unknown. But the figure for Queensland is published; in 1976/77 rates foregone on exempt properties equalled 12.9 per cent of the total general rate revenue collected. The proportion exempt would be greater in New South Wales and Victoria, which have a larger concentration of government organisations. This, and other valuation shortcomings, would increase the real site rent of Australian land, in Hutchinson's view, to over \$5.2 billions, excluding mineral and forestry royalties received as public revenue from publicly-owned lands.

We now come to the most important point, which is the one least capable of quantification. What would happen to land values under a reformed tax regime? There are sound theoretical and empirical reasons for believing that if we imposed a 100 per cent tax on the *ad valorem* value of all land, rental values would increase enormously. This point warrants exhaustive study elsewhere: here, I can only make a few points.

If taxes on wages and capital were reduced in line with increases in land value taxes, part of the privately-retained income would be spent in such ways as to increase directly or indirectly the demand for land. With a higher level of income, people's tastes change. They would want more spacious houses, access to better recreational facilities, and so on. As the demand for land rose, so would land values.

Higher income means greater consumption. The whole level of economic activity would rise to a new plane, to accommodate the increased personal prosperity. This would lead to increased demand from the commercial and industrial sectors for land which they would need to expand their productive capacities. The increased competition would drive up land rental values (this pressure would be initially modified by a flow on to the market of land hitherto held idle for speculative purposes).

Under these collective influences, land values would rise and so benefit the community through the increased revenue received by the exchequer. Given the present state of knowledge, it is not possible to calculate with any confidence the ultimate statistical magnitudes which would be determined by these considerations. It could be argued that the whole of current exchequer revenue, whatever its nominal source, is at the expense of rental income. Henry George has been cited in support of this contention, for he formed the view that if government expenses were reduced, the ultimate beneficiaries would not be wage earners but rather the landowning class.* In other words, if taxes on consumption or wages were reduced, monopoly landowners would force their claims upon society and appropriate the whole of this sum.

This must still be a controversial conclusion. If income taxes were drastically reduced, wage earners would expect to retain some of the benefits. Henry George, along with other economists of his time, noted that minimum wage levels acceptable to workers were in part determined by what was called "habit", ** which is a variable determined by a variety of socio-psychological as well as economic factors. It would not be unfair to predict that workers would resist the pressures to spend the whole of their increased income on higher rents.

In any event, this statistical defence of the case for socialising the rent of land does not rest solely on the income side of the national accounts. For the gap between the potential annual income from land, and total exchequer spending, if one existed, would be smaller (or closed) in a civilized society. *Public expenditure would be reduced.* Governments, at the new level of individual prosperity, would not need to spend so much on public health, education and welfare programmes, as families increasingly

* *Progress & Poverty, op. cit.*, pp. 300-303.

** *Ibid.*, pp. 304-305.

I I N T R O D U C T I O N

AUSTRALIA, with an area of approximately three million square miles, is the sixth largest continental land mass in the world. In order of size, it follows Asia, Africa, Europe, North and Central America and South America. It is a little less than double the size of Europe after excluding the U.S.S.R. Australia is an arid continent compared with the others. The portions that have adequate rainfall, and are therefore suitable for settlement, are confined to a narrow coastal belt. Except for its minerals, the country has not been well endowed by nature.

Yet Australia, with its relatively small population of fourteen millions, now stands high among the well-developed nations of the world and has fewer extremes of wealth and poverty than are found in most countries.

An important factor that has made possible Australia's higher living standards, with almost full employment until the current world-wide recession, is the extent to which the rental value of land is collected by government for public revenue in lieu of taxes on labour and industry. This maximises wealth production and aids its equitable distribution, in two ways. First, by demanding a contribution based on the rent-potential of the sites whether used or not, it introduces a "cost of holding land underdeveloped" which stimulates the holder to put the land to use to earn its taxes, or release it to someone else who will. Secondly, the lowering of taxes on enterprise (which is the direct or indirect effect of increasing the proportion of public revenue collected from the rental value of land) encourages holders to make the best use of their land in the knowledge that they will not be penalised for doing so. Both work to maximise production.

The process of shifting taxes on production to taxes on land values does not depend for its effectiveness on conscious recognition by the contributor that land-value taxation is causing him to do something to better himself. It operates automatically through his tax assessments, reminding him that there is an outgoing on his underdeveloped land without a corresponding income from it. This, coupled with the knowledge that any

investment he makes to put his land into earning condition will not be taxed, provides a built-in force working towards land improvement. The effects in better distributed affluence follow as a matter of course, and may be observed.

Many people are unaware of the extent to which the present collection of land rent for public revenue is responsible for our undoubtedly high and relatively well distributed living standards. Cause and effect are somewhat masked by the fact that taxes on site rental value are not effected by one measure imposed by a single government authority. It is done, in fact, by separate measures of the federal, state and local governments concerned and, in some cases by semi-governmental bodies. To some extent this is a disadvantage from the point of view of public relations, since the effects, which are important in the aggregate, are masked by the multiplicity of the bodies collecting part of the site rent. Nevertheless, the piecemeal method of applying the principles has produced results where a single complete application would have been politically unattainable. At a later stage integration and consolidation may be possible.

The application of the principle has been extended progressively over the years, although the degree of application varies greatly among the six States and two Territories forming the Commonwealth of Australia; it also varies greatly in regions within the States. The process started locally with demands for land taxes to unlock the lands, and this happened even before the publication of Henry George's *Progress and Poverty* in 1879. The impact of that work gave it greatly increased strength, but there is still a very long way to go before the objective of collecting the full site rental value of all land for public revenue, in lieu of taxes on labour and industry, is attained. However, a significant measure of application has already been reached. It is the object of this paper to examine the extent of this achievement in Australia.

II METHODS USED TO COLLECT THE SITE
RENTAL VALUE AND THEIR RELATIVE
IMPORTANCE

THERE are three methods by which part of the site rental value of land is collected in Australia to defray the costs of government.

1. Land-value taxation by state governments.
2. Land-value rating by local government and semi-governmental bodies.
3. Land rent paid direct to governments for land leased from them.

State Land Taxes

All the Australian states impose a State Land Tax. The tax rates vary among the different states and are progressive, i.e. the rate of tax becomes higher as the total unimproved value of a holding increases. All states have a minimum figure below which no land tax is payable, the tax being levied on the excess above this minimum, and the effect of this is to exclude the smaller holdings from contribution. These features are serious departures from the principle that all land should be taxed at a uniform percentage of its value, and lead to injustices in the treatment of one land-holder as compared with another, causing dissatisfaction and criticism. Supporters of the whole basic principle press for removal of the exemptions and gradations and the conversion of the system to a wider concept of a State Development Fund financed by a uniform tax rate on all land values. Nevertheless, despite these blemishes, the land taxes are important and effective in stimulating better land use, particularly in the central areas of metropolitan cities where a high proportion of the total land value of the state is concentrated. These land-value taxes are contributing effectively to the re-development of these areas and the position would be very much worse without them. In acknowledging their limitations as they now apply, the aim should not be to abandon the land tax but to remove the blemishes in its administration.

Land Value Rating (Local Government)

This method is applied throughout the local government structure in Aus-

tralia and by many semi-governmental bodies. What are called local government rates in Australia are called local government taxes in some other countries. They are also grouped under the heading of taxation in some official statistics within Australia.

The only essential difference between land-value rates and land-value taxes as now levied are: (1) As its name implies, the rate method embodies equality of treatment, with each property holder contributing at a uniform "rate in the dollar" on the land-value he enjoys. This contrasts with the progressive rates in the dollar applied with the land taxes. (2) The land-value rate is accompanied by a corresponding remission of taxes upon the property holders' improvements. The revenue raised by it is not an additional impost added to the level of other taxes. The pre-determined level of revenue required has to be obtained either by the uniform rate on the land-value alone or on the combined value of the land plus owners' improvements. In essence, the latter alternative amounts to a lower uniform rate on the land-value plus a tax on the improvements varying according to the proportion of the improvements to the total value. Of these alternatives land holders generally prefer that their improvements be untaxed.

The land-value rating method is the purest form of application of the principle that contributions to government should be based on the value conferred on the site by the community and that owners should not be penalised for their improvements. This method is financially by far the more important, yielding approximately four times as much revenue as the combined state land taxes, and it operates without any considerable opposition from the property holders, for they are satisfied that there is equality in treatment between themselves and their neighbours. In contrast, there is dissatisfaction at the differential treatment introduced by exemptions and gradations within the state land tax as currently applied.

Nevertheless, there have been some recent objectionable legislative changes that are a departure from the rating principle. The main one is the introduction of a 'minimum rate charge' which shifts part of the rate incidence from the largest and most valuable sites and increases the contribution on the smallest and least valuable sites. These are referred to at the end of this paper.

Even where the annual rental value of land-plus-improvements is used as the rate basis in Australia, there is an important difference as compared with the system used in Britain and some other countries. There, vacant land is exempt from contribution. In Australia such land is rateable on a percentage of its unimproved value, ranging from four per cent in Tasmania to ten per cent in Western Australia. Thus, even where improvements are taxed in Australia, the burden upon them is nowhere near crippling as it is in countries where unused land escapes contribution.

The greater importance of land-value rating as compared with state land taxes has been overlooked by many authorities who have produced books and reports on land-value taxation in Australia. A conspicuous example is the work *History of Australian Land Settlement* by Stephen H. Roberts, published in 1924. This excellent work gives a very well documented chapter: "Land Taxation and Land Tenure". Yet it fails to mention land-value rating, although this was drawing more revenue, at higher percentage rates, from *all* properties, as compared with the state land tax payable only by *some* properties. Apparently the writer failed to appreciate that the basic prin-

ciple was the same although the term used to describe it was different.

Land Rent Paid Direct to Government

A substantial contribution to public revenue comes direct to the government as land rent for natural resources of which the rights have been reserved to the Crown as trustee for the people. With the exception of the cash sums received from sales of land, the payments under this heading accord with the principle that the rent of land apart from improvements should be absorbed as public revenue.

The reservation of these rights to the community was a relatively late development, after most of the land in the urban areas had been alienated. A high proportion of the total area of New South Wales, Queensland, South Australia, Western Australia, the Australian Capital Territory and the Northern Territory is either retained by the Crown as public reserves or let to individual holders under various forms of leasehold. Of the latter the most important are the perpetual leasehold revised rents payable annually to the government.

The extent of the freehold and leasehold tenures in the various states is shown in a table later. It will be seen that Tasmania has practically no direct revenue from land rents, its land having been disposed of under freehold tenure.

Approximately two-thirds of the total land revenue coming direct to governments in Australia is from royalties on minerals to which the rights have been reserved to the Crown. Tasmania has practically no revenue from this source. It suffers particularly by this since its mineral resources are extremely rich, but the rights were not reserved to the Crown. Other states profited from its lesson. The public revenue is now benefiting greatly in royalties from the recent discoveries of iron ore and oil in the states that have retained these rights.

Another important source of land revenue is royalty payments upon timber. The royalty payments from other resources are less certain than the land rentals since the mineral deposits will sooner or later be worked out. The land rentals can be expected to continue and to increase as population grows.

It is important to note that the rights to rivers, streams and water sources have also been reserved to the Crown, except those with some of the oldest land grants. Thus, the public does not have to pay tribute to private landholders for the water used for household supplies or irrigation, as must be done in some other countries. This is important since the aridity of most of the country makes water conservation essential and development could have been stifled if payments had been demanded by private interests. The income from the water sales to irrigators and other users is not included in the public accounts under the land revenue heading; it appears in the revenue of business undertakings for water supply, sewers, irrigation and drainage.

Similarly, most of the electricity and gas undertakings in Australia are publicly owned, and many operate on publicly-owned coalfields or other natural resources. The proceeds of their sales are thus an indirect but substantial ploughing back of land rent into the treasury for public purposes. Details of these undertakings are not given in this paper, which is confined to the direct contribution made to public revenue.

III LAND VALUATIONS IN THE VARIOUS STATES AND TERRITORIES

Definitions

Until recently the official term used in Australian valuation and taxation circles to describe the value of the land itself, apart from that of the improvements upon it, was "unimproved capital value". This was used by valuers in their work in all states. But for reasons of greater simplicity, convenience and certainty in the results achieved, the term is in the process of being changed to "site value". This differs from the Unimproved Capital Value in that the valuer is not required notionally to restore the land to its primitive condition. Instead, the improvements which for the purpose of valuing are imagined as not existing, are those which can be seen i.e. buildings, fences, sown pastures, etc. and include works undertaken on the land such as the removal of timber or stone, draining or filling of the land, erosion works etc. which have been made within the 15 years preceding the valuation.

This simplification has already been adopted in Victoria, New South Wales, South Australia, Tasmania, and is in process of adoption in Queensland and Western Australia. It was first adopted in Victoria but, while the substance has been accepted in all the states, the words "site value" have not been adopted to describe it in Tasmania and South Australia, where the same change has been made.

It is appropriate to record that a century after the publication of *Progress and Poverty* the use of the site value variant arose from the submissions of a prominent Victorian valuer to the New South Wales Royal Commission on Local Government Finance and Valuation, the report of which was presented on May 2, 1967. The Valuer was Mr. E. R. Inglis, L.S., F.C.I.V., who later became Secretary for Local Government in Victoria. In support of his case for adoption of the site-value concept he cited the section of Henry George's *Progress and Poverty* (pages 425 and 426 in the complete edition printed by the Robert Schalkenbach Foundation in 1962) which answered possible objections to his proposals in advance. Part of the section cited reads as follows:

"... As a matter of fact, the value of land can always be readily distinguished from the value of improvements.... In the oldest country in the world no difficulty whatever can attend the separation if all that be attempted is to separate the value of the clearly distinguishable improvements, made within a moderate period, from the value of the land, should they be destroyed. This, manifestly, is all that justice or policy requires. Absolute accuracy is impossible in any system, and to attempt to separate all that the human race has done from what nature originally provided would be as absurd as impracticable. A swamp drained or a hill terraced by the Romans constitutes now as much a part of the natural advantages of the British Isles as though the work has been done by earthquake or glacier. The fact that after a certain lapse of time the value of such permanent improvements would be considered as having lapsed into that of the land, and would be taxed accordingly, could have no deterrent effect on such improvements, for such works are frequently undertaken upon leases for years. The fact is, that each generation builds and improves for itself, and not for the remote future. And the further fact is that each generation is heir, not only to the natural powers of the earth but to all of the work of past generations."

It is surely an appropriate tribute to the continuing message in *Progress and Poverty* that this acceptance of its original argument into legislation today can be recorded at the centenary of that work.

The Current Land Valuations 1976/77

The unimproved site value of the land in the various states, used for municipal land-value rating purposes, is set out in Table I (over page). It should be borne in mind that these figures understate the true value of the land in private hands at the start of the 1976/77 year. This is because, although valuation practice is otherwise good and seeks to achieve full market value, the valuations recorded in the official returns are made at intervals ranging from a minimum of two years to a maximum of ten years between re-valuations, differing according to the state involved. As land prices have been increasing for many years at rates varying among the different states but averaging at least twenty per cent annually for metropolitan areas in every state, the true total and individual figures for the valuations currently in use will be higher than those shown below, and the differences will be greater in some of the states than others. Correction for these differences would be important in any discussion of the sufficiency of the land rent revenue potential to meet all legitimate public purposes. Some indications of the relative accuracy of the results achieved in the individual states according to their differing periods between re-valuations are given later. The present aim is to show the extent to which collection of land rent as public revenue is actually used in the States and Territories of Australia.

The figure for the Northern Territory has been taken at twenty times the current rentals on the leasehold lands. This will understate the true figure, as many of the properties have their rentals revised only at long intervals and, with the development that has been taking place in recent years, will be well below the true potential.

The figures are values of the rateable property only and approximate to the capitalised market value of the site rental left with the landholder

TABLE 1

LAND VALUATION OF THE STATES

| State or Territory (1) | Unimproved Capital Value (Site Value) of land (2) | Population June 1976 (census) (3) | Average land value per head (4) |
|----------------------------------------|------------------------------------------------------|--------------------------------------|------------------------------------|
| | \$ Millions | | \$ |
| New South Wales* (1976) | 25,679.9 | 4,914,300 | 5,224 |
| Victoria (1976/77) | 22,211.1 | 3,746,000 | 5,929 |
| Queensland (1976/77) | 3,949.8 | 2,111,700 | 1,870 |
| South Australia (1976/77) | 3,617.3 | 1,261,600 | 2,867 |
| Western Australia (1976/77) | 2,209.2 | 1,169,800 | 1,888 |
| Tasmania (1976/77) | 763.6 | 407,400 | 1,874 |
| Australian Capital Territory (1976) | 848.9 | 203,300 | 4,175 |
| Northern Territory (1974/75) | 183.7 | 101,400 | 1,819 |
| | \$59,463.5 m. | 13,915,500 | \$4,273 |

* Includes \$7.182 millions in the Western Lands Division not organised under local government.

after paying land rates and land taxes. Hence the total unimproved capital value of the lands under private ownership in Australia at 1976 was approximately \$59,463 millions, which at five per cent, gives the annual potential site rent remaining in private hands after paying rates and land taxes as \$2,973 millions. These figures would be increased substantially if valuations were revised annually instead of over periods from one to ten years apart (see Table 2 over page).

These figures do not include the valuation of minerals for which rights to royalties are usually reserved to the state governments concerned, but they do include rates payable on mines. They also exclude a substantial proportion of holdings that are exempt from municipal rates and land taxes. These comprise properties held by the Commonwealth and state governments, religious bodies, hospitals, charities and other exempt property. The total value involved is not known for all states but is published annually for Queensland, where in 1976/77 rates foregone on exempt properties equalled 12.9 per cent of the total general revenue collected for that year. It has been strongly recommended to various commissions of inquiry that the exceptions be removed and all properties become rateable. This is necessary to prevent anomalies in treatment between rate-payers in areas of high or low content of exempt properties.

TABLE 2

COMPUTATION OF SITE RENT POTENTIAL STILL IN PRIVATE HANDS

Estimated as though the Unimproved Capital (or Site)-Value of all councils within the States had been valued simultaneously in the year 1976-77

| State or Territory | Values as shown on rate books (\$ millions) | Re-computed as though all revalued at same date (\$ millions) | Increase per cent |
|------------------------------|------------------------------------------------|------------------------------------------------------------------|-------------------|
| New South Wales | 25,679.9 | 33,931.0 | 32.1 |
| Victoria | 22,211.1 | 30,398.9 | 36.8 |
| Queensland | 3,949.8 | 7,314.5 | 85.2 |
| South Australia | 3,617.3 | 6,810.5 | 88.3 |
| Western Australia | 2,209.2 | 3,676.0 | 66.3 |
| Tasmania | 763.6 | 1,237.6 | 62.0 |
| Australian Capital Territory | 849.0 | 925.5 | 9.0 |
| Northern Territory | 183.6* | 240.0 | 30.0 |
| Totals | \$59,463.5 m. | \$84,534.0 m. | 42.2 |

* Northern Territory valuation was for the year 1974-75 and has been arbitrarily increased by 30% in line with others.

IV HOW MUCH OF THE SITE RENTAL IS
COLLECTED FOR PUBLIC PURPOSES?

State Land Tax

THE amount collected by state land taxes in Western Australia (Table 3) is greater than would appear from taking account only of the amount shown against land tax as paid to consolidated revenue funds, which is \$11.742 millions. There are also further amounts collected by land taxes and paid into special accounts for the purposes of Metro Region Improvement (\$2.188 millions). These bring us to the figure shown.

In Queensland, land tax is levied only on freehold lands, whereas elsewhere, states' perpetual and other leaseholds are taxable.

Land-value Rating

The revenue from land-value rating in the various States and Territories is summarised in Table 4. Separate totals are shown for the rates levied directly on the site value, as distinct from the component falling on the site rental value where the rate is levied on the composite value of land-plus-improvements. A more detailed statement, showing the various types of rating bodies and their contribution to the totals, is included as Appendix C to this report.

The principle of site value rating has been so generally accepted in Australia that 65 per cent of the municipal councils now use it as their general rate basis, although some of them supplement it with small rates on the improved value for special purposes. *Councils controlling 93 per cent of the rateable area of the whole continent now use the unimproved (site) value basis for part or all of their rate levies and have un-taxed improvements either completely or in part.* This is all the more remarkable since the system of rating on improvements was applied universally in Australia on a mandatory basis up to 1887.

A table showing the number of councils using the respective systems and the total areas under such is given in Appendix B.

TABLE 3

STATE LAND TAX

| State | Land Tax Collected \$ millions |
|------------------------------|-----------------------------------|
| New South Wales | 111.638 |
| Victoria | 59.804 |
| Queensland | 12.764 |
| South Australia | 18.348 |
| Western Australia | 13.930 |
| Tasmania | 3.373 |
| Australian Capital Territory | - |
| Northern Territory | - |
| | <u>\$ 219.857 m.</u> |

TABLE 4 LAND VALUE RATES COLLECTED 1976/1977

| State or Territory (1) | Levied directly on site value (2) | Levied indirectly on site value (3) | Levied on improvements (4) | Total rates yield (5) |
|------------------------------|-----------------------------------|-------------------------------------|----------------------------|-----------------------|
| | \$ millions | \$ millions | \$ millions | \$ millions |
| New South Wales | 623.162 | 44.663 | 53.549 | 721.374 |
| Victoria | 149.411 | 143.654 | 191.082 | 484.147 |
| Queensland | 181.726 | - | - | 181.726 |
| South Australia | 20.456 | 51.292 | 76.850 | 148.598 |
| Western Australia | 54.264 | 20.985 | 31.472 | 106.721 |
| Tasmania | - | 13.874 | 32.375 | 46.249 |
| Australian Capital Territory | 12.098 | - | - | 12.098 |
| Northern Territory | 3.405 | - | - | 3.405 |
| | <u>\$ 1044.522 m.</u> | <u>\$ 274.468 m.</u> | <u>\$ 385.328 m.</u> | <u>\$ 1704.318 m.</u> |

Columns (3) and (4) are the estimated breakdown of the Annual Value rates (improved) into the site value and improvement value components.

Land Rent Paid to State for Leasehold Tenures

The item headed Land Revenue in the State Consolidated Revenue Fund covers the land rents paid to the State for leasehold tenures but proceeds of sales and conditional purchases of land are excluded in the tabulation below because they are proceeds from selling the assets and not continuing rentals. In addition, there are land rents and water rights payments to semi-governmental business undertakings controlling water conservation and railways, for land leased from them by private operators. They appear elsewhere in the annual reports of the public authorities concerned as part of their revenue as business undertakings. The two classes are given separately (Table 5).

These figures are minima, being the portion paid to the Consolidated Revenue Funds, but are not necessarily the total receipts since portions have been paid to other special funds. For example, part of the total revenue of the Forestry Commission in New South Wales was transferred to a special fund set apart for afforestation and re-afforestation, and part was used within the Commission.

The area held in the Australian States from the Crown under various forms of leasehold, as compared with freehold, is shown in a table as Appendix A to this report. The leasehold areas are more generally found in the rural and pastoral interior areas which have less potential than the urban lands, but there are important exceptions. Perpetual leasehold tenures are numerous in the urban areas of Queensland and the irrigation settlements of New South Wales. They embody direct recognition of the principle that the rental value of land should be collected by governments for public purposes. The level of the land rents charged takes into account that normal municipal and other rates will be paid by the holder just as they would with freehold tenure.

A partial breakdown into the main items comprising the above totals for the year 1976/77 is given at the end of this paper in Appendix C for the States concerned. That is informative as to the nature of the components contributing to the group as a whole. Some of those figures for components are drawn from a different source and relate to an earlier period.

To find the proportion of the site rent potential collected in relation to the land valuation figures shown in the section on the basic land valuations, it is necessary to exclude column (3) of Table 5 headed "Mining and Forestry Royalties". The reason is that all the columns of Table 6 relate to land in private occupation, which is rateable and therefore linked with the valuation figures shown, but this does not apply to the column in question. The figures there are a direct addition to the site rental potential of the State concerned but are in respect of rights reserved to the State, and are not included in the valuations for land-value rating purposes.

TABLE 5 COLLECTIONS UNDER LAND REVENUE YEAR 1976/77

| State or Territory | Land Rents | Mining & Forestry Royalties | Total |
|------------------------------|--------------|-----------------------------|---------------|
| (1) | (2) | (3) | (4) |
| | \$ millions | \$ millions | \$ millions |
| New South Wales | 20.157 | 60.900 | 81.057 |
| Victoria | 16.904 | 47.700 | 64.604 |
| Queensland | 10.594 | 50.800 | 61.394 |
| South Australia | 3.200 | 3.300 | 6.500 |
| Western Australia | 5.700 | 57.300 | 63.000 |
| Tasmania | 0.500 | 6.700 | 7.200 |
| Australian Capital Territory | 3.500 | 14.000 | 17.500 |
| Northern Territory | 1.000 | 0.400 | 1.400 |
| TOTALS | \$ 61.555 m. | \$ 241.000 m. | \$ 302.655 m. |

V THE PROPORTION PUBLICLY COLLECTED

THE total site-rent *potential* is the sum already collected for public revenue plus the balance remaining in private hands. If we take five per cent of the unimproved capital values, as shown for the various States and Territories, we have an approximation to the site tax potential remaining in private hands. (The figure of five per cent is itself an approximation used currently in municipal valuation and is adequate for our purpose, though theoretically it should vary with the current rates of interest.) The publicly collected portion is that shown in the total column of Table 6.

It will be seen that the site-rent potential not yet collected for public revenue is a minimum of \$2,973 millions on current municipal valuations, which lag behind the market by an average of three years. The true figure will be substantially greater than that shown and could be picked up by annual revision of the unimproved or site values. The Valuer-General of New South Wales, in evidence to the Royal Commission on Rating, Valuation and Local Government Finance in 1966, considered that his Department could undertake annual revisions of land values if relieved of the need to value improvements, and recommended that this be done. His department has now been relieved of that task and is returning complete site valuations at two-yearly intervals, commencing from 1st January 1975.

Owing to the lag in official figures behind the market, the heading to Table 7 refers only to the *apparent* site-rent potential collected as public revenue. This varies greatly between the states, partly because of the effect of site-value rates and taxes in keeping the price of land down and partly because of the difference in the intervals between one revaluation and the next.

It is interesting to compare the proportion of the apparent site-rent potential collected in the various states shown above with the earlier comparable figures published by the Land Values Research Group in its booklet *Public Charges on Land Values* for the years 1957/58 and 1964/65. This is done in Table 8 in order of the descending degree of land value

TABLE 6

SUMMARISED TOTALS OF PUBLIC REVENUE COLLECTIONS OF SITE RENT BY
 LAND VALUE TAXATION, LAND VALUE RATING, OR AS LAND RENTALS FROM
 PUBLICLY OWNED LEASEHOLD PROPERTIES

| State or Territory | Land Value Taxes | Land Value Rates | Land Value Rents | Totals |
|------------------------------|------------------|------------------|------------------|----------------|
| (1) | (2) | (3) | (4) | (5) |
| | \$ millions | \$ millions | \$ millions | \$ millions |
| New South Wales | 111.638 | 667.825 | 20.157 | 799.620 |
| Victoria | 59.804 | 293.065 | 16.904 | 369.773 |
| Queensland | 12.764 | 181.726 | 10.594 | 205.084 |
| South Australia | 18.348 | 71.748 | 3.200 | 93.296 |
| Western Australia | 13.930 | 75.249 | 5.700 | 94.879 |
| Tasmania | 3.373 | 13.874 | 0.500 | 17.747 |
| Australian Capital Territory | - | 12.098 | 3.500 | 15.598 |
| Northern Territory | - | 3.405 | 1.000 | 4.405 |
| TOTALS | \$ 219.857 m. | \$ 1318.990 m. | \$ 61.555 m. | \$ 1600.402 m. |

TABLE 7 A P P A R E N T S I T E R E N T P O T E N T I A L C O L L E C T E D

| State or Territory (1) | Portion publicly collected (2) | Portion not yet publicly collected (3) | Total site Rent potential (4) | Publicly collected as per cent of total (5) |
|------------------------------|-----------------------------------|-------------------------------------------|----------------------------------|------------------------------------------------|
| | \$ millions | \$ millions | \$ millions | per cent |
| New South Wales | 799.620 | 283.995 | 2,083.615 | 38.37 |
| Victoria | 369.773 | 1,109.677 | 1,479.450 | 24.99 |
| Queensland | 205.084 | 197.492 | 402.576 | 50.94 |
| South Australia | 93.296 | 180.886 | 274.162 | 34.01 |
| Western Australia | 94.879 | 110.460 | 205.339 | 46.20 |
| Tasmania | 17.747 | 38.183 | 55.930 | 31.73 |
| Australian Capital Territory | 15.598 | 42.448 | 58.046 | 26.87 |
| Northern Territory | 4.405 | 9.185 | 13.590 | 32.41 |
| TOTALS | \$1,600.402 m. | \$2,972.306 m. | \$4,572.708 m. | 35.00 |

TABLE 8

PROPORTION OF APPARENT SITE RENT POTENTIAL
COLLECTED FOR PUBLIC PURPOSES

| | Year 1957/58 per cent | Year 1964/65 per cent | Year 1976/77 per cent |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Land Value Rating States</u> | | | |
| Queensland | 66 | 52 | 51 |
| New South Wales | 53 | 42 | 38 |
| Western Australia | 39 | 40 | 49 |
| <u>Improvement Rating States</u> | | | |
| Victoria | 34 | 29 | 25 |
| South Australia | 33 | 22 | 34 |
| Tasmania | 24 | 22 | 31 |
| <u>The Territories</u> | | | |
| Australian Capital Territory | - | - | 27 |
| Northern Territory | - | - | 32 |

rating used by the various states in the original comparison. To these are now added separately the Australian Capital Territory, which is located within New South Wales, and the Northern Territory, which is to become a State in its own right very soon.

At first glance it appears that there have been substantial changes in the relationship between some of the states over the three periods. The figures for New South Wales and Victoria appear to have fallen and those for Western Australia to have increased since the earlier reviews. In reality the later figures are a closer estimate of the potential collected. The earlier figures in some cases over-stated the percentages because valuation methods were inferior and properties valued much below market prices. In the interval, valuation techniques have improved in all states and the aim now is to return valuations as close to market levels as possible. This has revealed that the margin of potential uncollected was higher at the earlier period than estimated. The recent valuation improvements in New South Wales and Victoria have shown that despite a substantial increase in the collection of land rent through local government rating, the potential remaining uncollected has increased in those states. The most significant thing to note about the above comparisons is that the predominantly land-value rating states have been consistently obtaining a higher proportion of their revenue from land-value rating than those rating improvements. Queensland, which rates the land only, has consistently headed the list. Tasmania, which has no direct rating of site values for local councils, is consistently at the bottom.

Examination shows that most of the changes can be accounted for by the differing intervals between re-valuations in the various states. It is seen that New South Wales, having achieved a two-year cycle, is now the best in this respect. Victoria, too, has been improved by using a four-yearly cycle in the metropolitan area and six-yearly in the country, and is thus second in performance. South Australia, with a five-year cycle and an attempt at rate equalisation in between, is the third. Tasmania, with a five-yearly cycle is next. Queensland's valuation practice, while otherwise good, is seriously deficient in that it follows a ten-yearly valuation cycle, which is inadequate at any time. It is not clear whether Western Australia has any statutory period governing its re-valuations, but one of the recommendations of a 1975 Committee of Inquiry into Rates and Taxes attached to Land Valuation was that a central valuation authority be established and it intimated that anomalies could be overcome if re-valuations were carried out more frequently. It said that the ideal was for an annual re-valuation but this might not be possible. It recommended that steps be taken to ensure that there is never a greater period between re-valuations than three years.

Beneficial Effects

Although it is not the purpose of this report to detail them, land rent collection has had very beneficial effects upon the economic and social development of Australia. The benefits have varied among the six states according to the extent to which the site-rent potential is collected for public purposes within them, and particularly according to the land-value rating component (as distinct from state land tax) in the total, since this applies to all properties within the area and in proportion to their value.

These effects have been the subject of special study by the Land Values Research Group and are embodied in a booklet entitled *Public Charges upon Land Values in Australia*. That study showed that social and economic development in the three states - Queensland, New South Wales and Western Australia - where site-value rating is almost universal, was substantially better than in Victoria, South Australia and Tasmania, where landholders' improvements were taxed. This superiority was shown not only by the states as groups but between the individual states within the groups according to their degree of use of the system. It continued even down to individual municipalities, where untaxing of buildings and other improvements were found to have resulted in a step-up in building construction.

The key indicators of superiority in the comparative studies between the states were the beneficial effects of the system upon agricultural development, greater improvement of holdings, the enhanced value of assets of land-holders, the greater building construction activity, advantages to the manufacturing industries and retail traders, the higher real incomes of the working population, more widespread home ownership, and high mortgage assets of financial institutions.

The observed results simply confirmed by statistics the effects that could have been predicted from site-value rating. It should be obvious, without the need of any statistics, that public finance policies that penalise people for using their sites properly - and reward them as they neglect to use their potential - must have a stagnating effect upon the development of any community. It must tend to tie up in the sterile holding of vacant and under-developed sites the funds that could and should be invested in buildings, trade, commerce, manufacture, employment and all those things that are the life-blood of the community. The reverse process, which creates incentives by removing taxes from the results of land use and places them upon the site potential alone, inevitably produces the superior development that comparisons between the states show.

VI I S T H E M O V E M E N T F O R T H E R A T I N G
 A N D T A X I N G O F S I T E V A L U E S
 M A K I N G P R O G R E S S I N A U S T R A L I A ?

THE APPLICATION of the principle of collecting site rental values for public revenue instead of taxing labour and industry is being steadily extended in Australia. The measure of that advance, even allowing for depreciation of the currency, can be best illustrated by bringing up to date a comparison made by E.J. Craigie, initially for the year 1937/38, in a paper presented to the Sixth International Conference, held in New York in 1939. This was brought up to the year 1954/55 in a further paper published in *The Standard N.S.W.* in May 1956. It was extended to the year 1964/65 in my paper to the 12th International Conference in Wales in 1968 and now to 1976/77 in the present paper. From them the progressive advance can be readily seen (Table 9). In this tabulation the item Land Rent Revenue is restricted to land rents excluding the mineral and timber royalties. Local Government Rates are also restricted to those levied *directly* on the unimproved value.

The figures include only the local government type rates levied directly on the site value. They do not include the site value component of the annual value rates levied in some states on the site value plus that of the improvements. For 1976/77 the site value component of such rates collected indirectly was \$274,468 millions. More details are given in the tabulation of Land Value Rates Collected for 1976/77 and on the detailed tables for each state contained in Appendix C at the end of this paper.

Note on the City of Canberra

Canberra is the capital city located in the Australian Capital Territory. It was founded as a territory owned by the people of Australia where freehold tenure was forbidden and the land was to be held on leasehold only, subject to periodical revision of the site rentals at 20-year intervals. These intervals between re-valuation of rents were far too long and allowed land price to build up till private greed caused the emasculation of the system. The legal fiction of a site rental fixed at 10 cents per annum was brought in by legislation after a great parliamentary battle in 1970. That legislation was bitterly opposed by the Australian Labour Party then in Opposition and by several Independents. It was carried by a margin of 2

TABLE 9 (Continued)

THE GROWTH OF LAND-VALUE TAXATION THROUGHOUT AUSTRALIA

| | 1954/1955 \$ millions | 1964/1965 \$ millions | 1976/1977 \$ millions |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| <u>State</u> | | | |
| State Land Tax | — | — | — |
| Local Government Rates | .415 | 1.676 | 3.373 |
| Land Rent Revenue | .145 | .058 | .500 |
| TOTALS | \$.560 m. | \$ 1.734 m. | \$ 3.873 m. |
| <u>Australian Capital Territory</u> | | | |
| State Land Tax | — | — | — |
| Local Government Rates | 1.101 | 1.143 | 12.098 |
| Land Rent Revenue | .282 | 1.407 | 3.500 |
| TOTALS | \$ 1.383 m. | \$ 2.550 m. | \$ 15.598 m. |
| <u>Northern Territory</u> | | | |
| State Land Tax | — | — | — |
| Local Government Rates | — | .506 | 3.405 |
| Land Rent Revenue | — | .729 | 1.000 |
| TOTALS | \$ — | \$ 1.235 m. | \$ 4.405 m. |
| <u>Whole of Australia</u> | | | |
| State Land Tax | 9.964 | 63.648 | 219.857 |
| Local Government Rates | 80.410 | 204.014 | 1044.522 |
| Land Rent Revenue | 8.999 | 15.427 | 61.555 |
| TOTALS | \$ 99.373 m. | \$ 283.089 m. | \$ 1325.934 m. |

TABLE 9

THE GROWTH OF LAND-VALUE TAXATION THROUGHOUT AUSTRALIA

| State | 1954/1955 \$ millions | 1964/1965 \$ millions | 1976/1977 \$ millions |
|--------------------------|--------------------------|--------------------------|--------------------------|
| <u>New South Wales</u> | | | |
| State Land Tax | .004 | 29.717 | 111.638 |
| Local Government Rates | 47.306 | 117.290 | 623.162 |
| Land Rent Revenue | 1.666 | 4.386 | 20.157 |
| TOTALS | \$ 48.976 m. | \$ 151.393 m. | \$ 754.957 m. |
| <u>Victoria</u> | | | |
| State Land Tax | 5.267 | 19.725 | 59.804 |
| Local Government Rates | 6.869 | 27.491 | 149.411 |
| Land Rent Revenue | .961 | 1.416 | 16.904 |
| TOTALS | \$ 13.097 m. | \$ 48.632 m. | \$ 226.119 m. |
| <u>Queensland</u> | | | |
| State Land Tax | 2.359 | 3.784 | 12.764 |
| Local Government Rates | 21.076 | 42.619 | 181.726 |
| Land Rent Revenue | 4.799 | 7.473 | 10.594 |
| TOTALS | \$ 28.234 m. | \$ 53.876 m. | \$ 205.084 m. |
| <u>South Australia</u> | | | |
| State Land Tax | 1.138 | 4.969 | 18.348 |
| Local Government Rates | 1.618 | 5.740 | 20.456 |
| Land Rent Revenue | .656 | .775 | 3.200 |
| TOTALS | \$ 3.412 m. | \$ 11.484 m. | \$ 42.004 m. |
| <u>Western Australia</u> | | | |
| State Land Tax | .781 | 3.777 | 13.930 |
| Local Government Rates | 2.158 | 7.818 | 54.264 |
| Land Rent Revenue | .772 | .590 | 5.700 |
| TOTALS | \$ 3.711 m. | \$ 12.185 m. | \$ 73.894 m. |

votes only in the Senate with the 5 Democratic Labour Party representatives voting with the Government. Thus, while still preserving the fiction of calling it leasehold tenure to comply with the Constitution, the system was converted in fact to freehold with all the evils of high land prices for the rapidly expanding city, the population of which had reached 203,300 at the census of 30th June 1976. The lesson to be learned is the importance of maintaining an adequate valuation system, ideally with annual re-valuations. Had this been done in Canberra there would not have built up sufficient financial interest in changing it. Although land rentals were discontinued in Canberra, the system of site value rating has been retained and greatly extended as is evident in the great growth of the land-value rate yield between 1964/65 and 1976/77.

The growth of revenue from land taxes shown by these comparisons is remarkable, even when allowance is made for currency debasement. The Australian retail price index for basic materials and foodstuffs, as shown in the Commonwealth Year Books, for the three periods are respectively 394, 502 and 1083. From this it is clear that the great growth of revenue in the last ten years is not due simply to currency inflation but to extension of the site-value rating system. Moreover, this three-stage comparison does not cover the full field of current application but is restricted only to those fields where it was in common use during the three periods covered. There have been important extensions to new areas within the last ten years, particularly in Victoria, New South Wales, Queensland and Western Australia.

Extensions to New Applications

In Victoria a major new development over the last twenty years has been the adoption of unimproved site-value rating by the State Rivers and Water Supply Commission for its irrigation districts, rural waterworks districts and the Carrum Drainage District. The irrigation districts cover 887,000 hectares and the rural waterworks districts 3,236,000. Thus the adoption of site-value rating brought an extra 4,123,000 hectares under the system so far as water supply is concerned, for this area continued to be rated on land-plus-improvements for other local government services. The new area given its first practical experience of site-value rating covered almost one-fifth of the whole state and an even larger proportion of the cultivable acreage.

The change was made in accordance with the wishes of the majority of the irrigators' associations within the Commission's territory, and is superimposed upon the earlier application of the principle in the fixed charge for water rights based on the acreage of potentially irrigable land. The charge is payable whether water is used or not and thus acts to discourage speculative holding of under-developed land, as well as assuring the Commission of its finance, which could otherwise fluctuate greatly with seasonal variations in demand for water.

There has also been a great extension of the principle in irrigation areas of New South Wales. This takes the form of water rights, water rates and rents for land leased by the Water Conservation Commission.

In Queensland the Irrigation and Water Supply Commission has also commenced operations within the last ten years. While its operations are not yet on a scale comparable with those of the Victorian and New South Wales equivalents, foundations have been laid that will result in further extension of the principle.

In Western Australia, within the last twenty years, an extension of land taxes was introduced for the special purposes of metropolitan regional improvement. The figures for these are included in the tabulation under Land Taxes.

Within the local government rating field there are extensions of the principle that are responsible in part for the substantial increase in contributions from land values. There are new public bodies whose services are financed by the precept method. These bodies do not have rating powers of their own but Acts of Parliament provide that rates shall be fixed on their behalf by the municipal councils within their area, the proceeds of which are passed to these bodies. This avoids increasing the number of bodies issuing assessments. Whatever rating system is used by the local council for its own purposes is used also for the levy.

In New South Wales the precept method was applied for contributions under the Main Roads Levy, which yielded \$11.682 millions in 1970/71, when it ceased with the financing of main roads being undertaken by the State Government.

The same principle is open to county councils, under section 572A of the Local Government Act, to assess constituent councils in lieu of levying a loan rate. This method has been used very successfully by the Namoi Valley County Council to provide electricity to the far interior areas of the state. More county councils now use the method, which in 1976/77 yielded \$2.201 millions in revenue.

In Victoria the precept system was adopted by the newly-established Dandenong Valley Authority. Its rate yield for the year 1976/77 was \$1.939 millions in revenue.

A recent development in local government has been the establishment of river improvement trusts with rating powers. Several of these trusts now rate site values and there will be further extensions. In 1949 country waterworks trusts and sewerage authorities were given powers to rate wholly on the site value where the municipal council within which they operated used that system. Previously they were compelled to rate the improved value of the land. Some of these bodies have already changed to the site-value basis and the number will rise over the years.

Endorsement by Public Enquiries

Over the last two decades there have been many public enquiries directly or indirectly involving the question of rating land on its unimproved or improved value. They have all endorsed the site-value rating principle, either expressly, or by implication in not recommending departure from it. Some of these enquiries should be specially referred to here.

In New South Wales the report of a five-member Committee of Inquiry under Sir Alan Bridge, Q.C., was presented to the Government in 1960, and it endorsed the system of rating site value in these terms:

"In considering the competing claims for assessed annual (improved) value and unimproved capital value rating, the fact must not be overlooked that the latter has been the basis of local government finance for the past fifty years, during which time remarkable

progress has been made in the development of municipalities and shires, and in the provision of essential services. It would require very good reasons to justify the abandonment of such a system in favour of a system which in past years was deliberately discarded by the Legislature. In the Committee's opinion no such reasons have been established. There is a tendency, both in the states of the Commonwealth and in certain countries overseas, to adopt unimproved capital value rating."

In 1964 a report was presented following a comprehensive inquiry into the rating system made by a committee appointed by the Brisbane City Council. It comprised the Chairman, Alderman N.L. Buchan, and twelve members representative of municipal, real-estate, manufacturing, commercial, labour and public administration organisations. The major findings of this committee were as follows:

"The present basis of levying rates for general purposes and for water and sewerage purposes on the unimproved capital value, with the amendments as suggested, is the most appropriate for Brisbane City Council The Committee, after due consideration, decided that a change from the present basis to rating on the net annual value (improved) basis was not warranted."

The "amendments as suggested" in the text quoted above were simply that the basis of valuation be re-defined from unimproved capital value to site value. The principle is identical but in the latter case the value of invisible improvements such as timber clearing and site reclamation is considered to be exhausted after a specified number of years.

In 1966 a three-member Committee of Inquiry under New South Wales Supreme Court Judge Mr. Justice Hardy reported on questions of land tenure and rating systems in Queensland. Although the Committee has a full charter to investigate and make recommendations for most comprehensive change in the rating basis, it said in effect that the state of Queensland had no practicable alternative but to continue rating the unimproved value of the land. The following extract gives the kernel of its findings on the rating systems:

"Practically all the evidence given before the Committee was to the effect that unimproved value, which has been used in this state for so long, had obvious merits and advantages over the other two bases In view of the foregoing the Committee decided not to embark upon what must of necessity be a purely theoretical or academic study namely, whether as a matter of equity and public interest generally an improved or assessed annual value basis or some variant has merit on its side for rating and land-tax purposes. For these reasons we have confined our attention to the question as to whether for these purposes a "basic value" or a "rating value" which is a modification of unimproved capital value, has advantage over unimproved capital value as now defined in the Valuation of Land Acts."

In New South Wales in 1967 a very comprehensive report was presented by a three-member Royal Commission on Rating, Valuation and Local Government Finance under the Hon. Mr. Justice R. Else-Mitchell. Of the seven questions in the terms of reference, the main findings on the ones specially

concerned with the rating system were:

"A rate on land is the most appropriate method of financing the services which councils are authorised to provide under the Local Government Act

"The claim that 'rates have reached saturation point' is not established

"On the question whether the rate should be on the unimproved, improved or assessed annual value the findings were that there should be complete local option within the municipal council areas on choice of system. This choice should be available for councils which now rate on the unimproved capital value basis, and the three water and sewerage corporations, now restricted to rating the improved value, should also be given powers to use the unimproved value if desired."

However, it was made clear in the report that this preference for local option, as opposed to a mandatory system, was simply because the Commission favoured the general principle of free choice and not because of any evidence of desire on the part of local government or other bodies to depart from the site-value basis.

The evidence given to the Commission by the Local Government and Shires Association was that the rating of land on the unimproved value basis should form the core of local government revenue but should be supplemented by revenue from other sources. An overwhelming number of councils from whom submissions were received supported the levying of rates on unimproved value. Councils in rural areas, individually and in groups, strongly supported unimproved value rating. Apart from the submissions of councils, the rating of land on unimproved or site values was supported by various bodies including representative rural organisations and individuals. These included the Federation of Progress Associations, the Real Estate Institute of New South Wales, the United Farmers' and Wool-growers' Association of New South Wales, the Commonwealth Institute of Valuers, the Land Values Research Group, the Association for Good Government, the General Council for Rating Reform, the Valuer General for New South Wales (Mr. H.W. Eastwood) and the Under-Secretary for Local Government (Mr. J.T. Monaghan).

Submissions in favour of the unimproved capital or site-value basis were also made to the Commission on behalf of the following bodies concerned with commerce: The Retail Traders' Association of New South Wales, the Country Traders' Association of New South Wales, the N.S.W. Retail Tobacco Traders' Association and the Sydney Chamber of Commerce. This most important joint submission stated: "It is therefore held that the assessed annual value (land-plus-improvements) could not provide an equitable basis upon which to distribute municipal rates It is therefore submitted that adoption of an unimproved capital value or site value would be the only common basis which is not influenced in any major fashion by man-made improvements."

By contrast with this multitude of organisations supporting the principle of unimproved or site value rating it is striking that in the report no community organisations are cited as being opposed to that principle.

Indeed, the only organisations that did express opposition were the Metropolitan Water, Sewerage and Drainage Board and the Hunter District Water Board. These are two of only three corporations currently rating land-plus-improvements. Their representatives were not against the principle of site-value rating; for certain reasons they considered their current practice preferable and that they should be allowed to continue with it. Apart from these, the views cited in the report as in favour of rating land-plus-improvements were mainly from isolated councils or officers and individuals.

However, the two major developments in Australia over the last decade emerged later out of that Royal Commission's report. It had recommended many changes which the Government was slow to act upon. By 1973, however, agitation over anomalies, particularly in water and sewerage rating by the two corporations serving the Sydney metropolitan and the Newcastle areas, had reached such a pitch that the Government felt obliged to act. It legislated in 1974 for a package deal in two parts, requiring -

First - that all residential properties in these corporations' areas be rated in future on the site-value basis instead of the annual value of land-plus-improvements. Commercial and all other properties were still to be rated on the old basis.

Second - that the Valuer-General was to be required to supply these corporations with only the unimproved values for all properties. Assessment of improved values (a time-consuming task which has been responsible for lengthening the valuation cycle to six years) was no longer required. In a general valuation all assessments are to be determined under market conditions ruling at a base date defined as the first of January of the year in which the general valuation commenced but the physical and other conditions of the property are those obtaining at the date of valuation. Because of his reduced task the Valuer-General was able to shorten the valuation cycle in the Sydney and Hunter District Board's area to two years. Elsewhere the cycle was reduced to from three to five years.

Both these related developments were among the most important since the early years of this century in New South Wales. The change brought full site-value rating to 1,100,000 dwellings in the Sydney and Hunter statistical divisions which had previously been paying only their municipal rates on that basis while their water, sewerage and drainage rates which penalised most homes were on the annual value of land-plus-improvements. The magnitude of this change will be seen when it is noted that the total number of occupied dwellings in New South Wales was 1,500,000 at the 1976 census. So almost three-quarters of the homes in the whole state were affected by it. This is reflected in the site-value revenue figures shown in the N.S.W. section of Appendix C at the end of this paper.

The improvement in valuation technique which has enabled the Valuer-General in New South Wales to re-value properties on a two-yearly cycle will probably be an even more important development in the long run. Valuers in other states are aware of the need to get down to the ideal of an annual valuation. Valuation authorities realise that their task attracts complaint when the ratepayers are billed on valuations five or more years behind the market conditions on which they are based. The Victorian Val-

uer-General has already gone on record that he is aiming to get his state on to an annual revision basis. The four-yearly cycle in the Victorian metropolitan area was in itself a great step forward when introduced about 12 years ago. Other states will fall into line and computerisation can make annual revisions possible.

In South Australia, too, the valuation authorities are anxious to improve the relevance of the land-value assessments to the conditions of the times at which payment is sought. They have brought out a land-tax equalisation scheme with this object. Their valuations are made over a five-year period. One-fifth of the state is re-valued each year and for the remainder the existing values are multiplied by equalisation factors.

In Victoria, advance has been made towards change of the Melbourne and Metropolitan Board of Works rating to the site-value in the wake of the New South Wales example. A public inquiry into the organisation and operations of that body - including the rating system - was held in 1978. The General Council for Rating Reform made comprehensive submissions referred to appreciatively in the report of the Inquiry, which recommended that the reorganised Board of Works should have freedom to choose whichever it wishes of site value, net annual value or a combination of both instead of being restricted to the net annual value as now. The report also urged an investigation by the Board to decide which basis should be used. The re-organisation of the Board was pushed through quickly by the Government but did not include the recommendation of the Inquiry for provision of an option to change the rating basis. This was disappointing because they were not being asked to commit themselves to the change but simply to provide the option to enable it to be made at a later stage if it were desired to use it.

One point that needs to be clarified here is the impression gained by many overseas inquirers and Australian citizens that the level of our local government rates is very low by overseas standards. Hence it is reasoned that Australian experience may not be a guide to their own conditions. This impression is fostered by a deficiency in the content of our own Australian Bureau of Statistics publication, *Public Authority Finance; Taxation, Catalogue No. 5506*, issued annually. It gives statistics showing for each state the total contribution received in local government rates. Readers will naturally think that the figures shown are the total contributions, as they appear to be, when in fact they are only the proceeds of the general rate for councils and take no account of other special extra and separate rates, or water and sewerage rates where these are provided by councils or other bodies. In fact, in the metropolitan cities in which the majority of the ratepayers live, water, sewerage and drainage are undertaken by separate public corporations whose rates are about as much again as those of the councils. But none of the figures for the rates paid to these corporations get into the official publication. They are not included on the technicality that water and sewerage are regarded as business undertakings and not municipal services, even when the councils undertake those services.

The aggregate figures for these corporations are included in Appendix C of this paper but have had to be obtained by approaching each corporation directly. Even apart from this major understatement of the level of our services and costs, the mere quoting of cents in the \$ for councils can be misleading because the rates payable are determined by the valuation

of the property by which the rate in cents is to be multiplied to calculate the ratepayers' payment. The general rates in Central Sydney Subdivision in 1976 averaged 1.679 cents. This looks low because land prices in Sydney are highest in the State of New South Wales. But the rate in cents in the \$ of valuation rises progressively as one goes inland away from the capital city. For councils in the Hunter Division it averages 2.714 cents. Further away, in the North West Division it averages 4.193 cents over the 16 councils in this area. This seems a relatively high per cent rate only because the land valuations there are very low compared to those in the metropolitan area. There, less of the site value is needed to provide local government type services and more remains available to provide other types of public services not needed in the remote regions.

The Continuing Demand for Further Extension

The continuing efforts in support of site-value rating are directed towards its extension rather than to the defence of those areas already won. The activity in this direction is perhaps most concentrated in Victoria, in two major directions.

First is the drive conducted by the General Council for Rating Reform to have the water, sewerage, drainage and metropolitan improvement rates levied by the Melbourne and Metropolitan Board of Works changed from land value-plus-improvements to the site value basis. This authority serves the whole metropolis, which contains nearly two-thirds of the total population within the state. As approximately 30 per cent of the total acreage within the thirty-eight cities embraced in its territory is already rated on the site value basis for municipal purposes, the strength of the case for the Board rating to be brought into line with the majority is obvious.

The other major campaign to have a State Development Fund established, to be financed by a rate over the whole state upon the site-value basis, is being pressed. The proceeds of this would be used to cover the annual costs for interest, sinking fund, and part of the capital expenditure on developmental works such as railways, highways, trams and buses, electricity, gas, and town planning activities - and simultaneously to reduce the charges to the users of these public utilities. The concept of a State Development Fund on these lines was first developed in 1944 by Sir Ronald East, who was then Chairman of the State Rivers and Water Supply Commission. It has since been taken up and is being pressed by several public bodies.

There have been other public inquiries in South Australia, Western Australia and Tasmania which have been of deep interest, and to which our colleagues have made submissions but which cannot be dealt with in this paper.

One of the most important has been the Land Tenure Inquiry conducted under the Hon. Mr. Justice R. Else Mitchell which raises matters of deep relevance, upon which the writer was one of those presenting submissions. But this subject is so wide that it would need a special paper to do justice to it.

* * * * *

Note on Minimum Rates

Reference has been made to recent changes in legislation which depart from the basic principle of justice in the treatment of ratepayers under the municipal rating system. The essential principle is that all ratepayers within the rating area share the cost by an equal rate in the dollar levied on the value of their property. That is equally important whether the rating system be based on site value or on improved annual value. Until recently, legislation of long standing had specified that a small minimum sum be payable, sufficient only to cover the council costs for valuation and the paperwork involved, on small properties of low value which would otherwise not yield enough in rates to cover these costs.

But some years ago the Government first of New South Wales and then of Victoria naively legislated to remove all maximum and minimum rates in the belief that most councils were run by responsible councillors who could be trusted not to abuse their new freedom. It took only a very short time to prove that they could not. A high proportion of them imposed very high minimum charges which had the effect of robbing the owners of low valued properties in order to subsidise with lower rates the owners of higher valued properties. In both these states the Governments were concerned, and they threatened that they would withdraw their powers to impose minimum charges. In New South Wales home unit owners organised to combat minimum charges. This has now borne fruit and a ceiling has now been imposed there. But combined with this legislation was a new power to impose differential rates in various sections of a council instead of having a single uniform rate over the whole ward or riding. This is not as objectionable as minimum rates because the differential rates preserve the relativity between the ratepayers according to the value of their properties.

The Victorian Government has not yet legislated to remove minimum charges, which are fundamentally evil. By making the minimum high enough the rating system can be destroyed and turned into a flat charge payable by the most and least valuable holdings alike. It has not got anywhere near that yet in Victoria, but constant vigilance is necessary.

VII WHAT IS THE REAL TOTAL OF SITE
RENT REVENUE POTENTIAL OF AUSTRALIA?

AT FIRST glance it seems that the total site rent is that actually collected for public revenue plus the balance remaining in private hands - a total of \$4572 millions on the figures quoted in Chapter V, Table 7, of this paper and far short of the revenue required by our governments.

But let us delve a little deeper.

First we must be sure of the meaning and significance of some of the terms we are using. "Unimproved capital value" and "site value" have been discussed in chapter III of this paper and for most purposes are interchangeable although many of us prefer the latter term. In practice the site value of land is determined by a qualified and registered land valuer. He examines the available evidence - largely sales and rentals of comparable land - and arrives at a figure that the evidence indicates the land would fetch if offered for sale. Thus the site value is the estimated site price.

Site price is the result of intensive competition. It is invariably the most that can be squeezed out of a land hungry people and is the capitalisation of that part of the site rent left in private hands.

Put more money, and thus demand, in the hands of the people and land prices will tend to rise. Reduce the money in the hands of the people and land prices will tend to rise more slowly or even fall.

Taxation of labour and industry, by reducing the amount of money left in the hands of the people, tends to reduce the demand for land thus reducing land prices. It also discourages the production of wealth and the rendering of services; it slows down the economy and still further reduces the demand for land. The *reduction* of taxation tends to have the opposite effect.

The proposition I am making is that the total potential site rent is considerably in excess of the sum of all site values directly or indirectly

collected plus the site values in private hands.

Chapter V of this paper differentiates between the *apparent* site rent available and the *actual* site rent available for public revenue. In the third paragraph it explains that the difference arises because of the time-lag between the date at which the valuations were made and the date when they are used to prepare the assessments for revenue collection. This time-lag ranges from a minimum of one year to a maximum of ten years in the Australian States.

The difference between the apparent and true site rent potential was of less importance for the purposes of chapter V of the paper, which compared trends in the application of the principle of collection of the site rent potential for public purposes over three periods spanning 20 years in the Australian States listed. But it is the recognised target of valuation authorities in all Australian States to reach the ideal of annual revaluations.

The valuation gap becomes of vital importance when we seek to quantify the extent by which the apparent site rent potential understates the true figure.

This information has now been obtained by analysis of official valuation data published in the various Australian States. The earlier valuation figures have been projected in accordance with the growth trends found where the most recent re-valuations have been made by local government authorities to approximate to the valuations as if made in all cases in the year 1976-77. The overall picture for Australia is that whereas the *apparent* site rental value not yet publicly collected at 1976/77 was shown as \$2972.3 millions in column (3) of the table, the revised figure would have been at least \$4226.7 millions. *But this is still short of the full potential for several reasons.*

First:

Because it relates only to the value of land in private hands which is rateable or taxable. It does not include land owned by the Crown and Government bodies nor by church, charitable and other bodies whose holdings are exempt from payment of rates and land taxes. Various commissions of inquiry in Australia have recommended that these exemptions be abolished and that the Crown and others now benefitting from the exemptions be required to pay the same rates and taxes on their holdings as they would as private landholders.

Second:

Because, although land valuations are made as near as practicable to full market value, their correctness can be challenged through the appeal process and they are more likely to be under rather than over the true market figure at the time of valuation.

Third:

Because, even though the valuations are correct at the date they are made, it will be at least a year later before the rates and taxes are actually struck upon those valuations, and the landholders concerned have to pay their assessments on them.

The magnitude of understatement involved in the first category is known

for the State of Queensland where the unimproved value of exempt lands is recorded annually for each municipal council in a separate column from the rateable lands in the publication *Local Government Catalogue No. 5502.3*, issued annually. For the year 1977/78 in the Brisbane Division, 14.3 per cent of the total value of all lands was exempt. Over the whole State of Queensland the exempt proportion averaged 10.2 per cent. Other states would be similarly affected, and the proportions exempt in New South Wales and Victoria probably greater with the larger concentration of government bodies with valuable holdings in those States. Certainly the over-all figure would be more than the ten per cent recorded in Queensland. The under-statement for the *second category* could well be of the order of ten per cent. As to the *third category*, the effect of the time-lag between valuation and issuing of assessments is difficult to determine here. It would cease to be important when the target of annual re-valuations now agreed upon as necessary by various valuation authorities and inquiries in Australia, is achieved.

The combined understatement in these three categories discussed could reasonably be estimated to be of the order of 25 per cent and the real site rent potential still available for collection from privately held land at 1976-77 would be at least \$5,283 millions. In addition account must be taken of the mineral and forestry royalties received as public revenue from the publicly owned lands.

How Far Would This Revenue Go?

We now examine the figures for the total public revenue received by all Australian Public Authorities (Federal, State and Local Government combined). These are published annually by the Australian Bureau of Statistics in the series *Government Financial Estimates Catalogue No. 5501.0*. Combining Tables 5 and 6 for the Federal, State and Local Authorities (but omitting the item "Grants from the Federal Government" which are included in its taxation total in Table 6), the over-all position for the year 1976/77 is seen to be:

| | |
|--------------------------------------|---------------|
| | (\$ millions) |
| <u>Taxation</u> | 24,824 |
| <u>Other receipts</u> | |
| Gross income from public enterprises | 2,034 |
| Property income: | |
| interest, land rent, royalties | 1,890 |
| | <hr/> |
| | \$ 28,748 |
| Total receipts of public revenue | <hr/> |

1. Revenue from Taxation

Of the total \$24,824 millions collected in 1976/77 as taxation revenue \$2,676 millions is actually site-rental collection in its nature.

It comprises:

- (a) \$220 millions as land value taxes levied by State Governments;
- (b) \$1,319 millions as land value rates paid to Local Government Councils or to Water and Sewerage Corporations within the States;
- (c) \$1,137 millions as crude oil levy and other mineral levies collected

by the Federal Government from local producers and recorded under excise revenue (but which really equate with royalties on State-owned minerals).

2. Public Revenue other than Taxation

The part headed 'other receipts' totals \$3,924 millions which supplement the yield from taxation. The whole of this 'other receipts' item is in its nature public revenue from public property.

The first item under that heading is \$2,034 millions which is the gross operating surplus over working expenses of public trading enterprises. Of this, part is actually rates on land levied by local government councils or corporations responsible for providing water, sewerage, electricity and gas. Such services are regarded as business trading undertakings, and the yield of the rates levied is recorded separately from rates levied to finance the 'ordinary services' of councils. The rest of this item is the operating surpluses of statutory bodies created by the Federal or State Governments which recover their costs in charges from the users of the services.

The second item under 'other receipts' is property income received by the Federal, State or Local Government level concerned in the form of interest, land rent or mineral and forestry royalties which together total \$1,890 millions.

To summarise, the total of \$28,748 millions collected as public revenue at Federal, State or Local Government levels in 1976/77, the site rental content was:

| | |
|-----------------------------------------------------------------------------|-------------|
| (1) <u>Already collected under taxation</u> | \$ millions |
| Part as land value rates and land tax, part as crude oil or other levies | 2,676 |
| (2) <u>Income from public enterprises</u> | 2,034 |
| (3) <u>Public property income</u> | |
| As interest, land rent and royalties | 1,890 |
| | <hr/> |
| | \$ 6,600 |

Adding to the \$6,600 millions already collected as public revenue the estimated \$5,283 millions remaining in private hands, the potential land revenue yield under the conditions applicable for the year 1976/77 would have been \$11,883 millions for Australia as a whole. (Out of the total receipts of \$28,745 millions for the Federal, State and Local Governments combined.)

The relative split would have been \$11,883 millions from site rentals or equivalents compared to \$16,865 millions from taxes upon the earnings of labour and industry. Even if this was all there was to be considered, the potential land rent revenue disclosed would go far further towards replacing harmful taxes than had been previously thought.

Implementing the Change

In the extended application for Australia it is not proposed that any change be made in the structure of the Government. The Federal Government and the State Governments each have their own fields of operation and retain them. It would be necessary for the Federal Government to legislate to apply the principle so far as its own taxation field is concerned and for the State Governments to do likewise for theirs. It would be necessary for the Federal Government to have access to the site valuation figures now estimated by state valuers except in its own territories. This information was previously available to it when a Commonwealth Land Tax was levied, at which time, by agreement with the Western Australian Government, the Federal valuers made the valuations for that State.

In this discussion it is considered a necessary and prudent starting point that, in applying such a comprehensive scheme to an inter-related group of operating Federal and State Government machines, the total revenue accounted for under the old and new bases be the same.

Implementation of the scheme would necessarily commence with programmes limited to the total yield of the site rent potential already collected, *plus* that remaining uncollected in private hands at the time of implementation as assessed by qualified valuers, *plus* adequate royalties due from mineral and forestry resources which should also be assessed by experts annually.

As the schemes would initially be yielding less than the total sum required to abolish all taxation other than land rates and taxes, the Federal and State Governments would need to decide whether they would reduce all taxes proportionately according to the funds available or abolish some taxes completely or to a greater extent than others in the initial stages. It may be considered best to abolish or reduce first some types of taxes, the incidence of which is considered more damaging to the community than others. It would certainly be desirable to spread the reductions in general taxes over a wide spectrum of the community to ensure that as nearly as possible all productive sectors benefited immediately by the change.

There should be built into the schemes from the start provisions for review of the extent to which the growth of the land-rent fund enables further reductions or abolition of taxes to be made.

It can be confidently expected that, with the opening up of new opportunities for labour and capital under the new conditions, the land rent revenue over-all would rise greatly and the remaining taxation content shrink to the point of abolition. Part of the general taxation content reduced or abolished would be absorbed or reflected in the increased site rent funds available to the governments involved.

One of the major areas which offers prospects of rapid build-up of the land revenue to enable acceleration to the process of abolition of other taxes is that of recent developments in the mineral industry in general and in petroleum in particular. In Australia all mineral rights are vested in the Crown except those on land which was granted before it began

to reserve mineral rights. In practice these private mineral rights are important only in the New South Wales coalfields. There have been recent large scale enterprises established handling iron ore in Western Australia, coal and bauxite in Queensland, and there are others in development stages elsewhere. For petroleum there are limited oil and gas fields in use but others inland and on the north-west continental shelf are in the development stages. The petroleum royalties being collected now are already great but will escalate as the new fields come into production. The total royalties already received as public revenue in 1976/77 were \$201 millions for minerals and \$43 millions for forestry timber. They can be expected to grow rapidly over the next few years. But they cannot be quantified in advance in this report.

A new but related development has arisen in the last few years which makes it certain that there will be greatly accelerated growth in the site-rental revenue available for public purposes in Australia. This is the adoption of import parity pricing of local petroleum production. It is accompanied by the collection by the Federal Government of a progressively increasing crude oil levy which, in the year 1976/77, produced a revenue yield of \$1,137 millions and is expected to rise to \$3,000 millions in 1980-81. It is additional to, and not to be confused with, the normal royalty payments collected by State Governments.

APPENDIX "A"

LAND OWNERSHIP IN THE AUSTRALIAN STATES

(As at 30 June 1976)

| State or Territory | Private Lands | | Crown Lands | | Total Area |
|------------------------------|------------------------|---------------------|-------------------------|-----------|------------|
| | Freehold or in process | On Lease or licence | Other occupied by Crown | | |
| | Ha. 000's | Ha. 000's | Ha. 000's | Ha. 000's | |
| New South Wales | 27,500 | 43,800 | 8,800 | 80,100 | |
| Victoria | 13,800 | 2,400 | 6,500 | 22,700 | |
| Queensland | 31,000 | 125,400 | 16,400 | 172,800 | |
| South Australia | 6,800 | 59,700 | 32,000 | 98,500 | |
| Western Australia | 18,700 | 100,100 | 133,000 | 252,600 | |
| Tasmania | 3,000 | 2,200 | 1,700 | 6,900 | |
| Australian Capital Territory | - | 100 | 200 | 300 | |
| Northern Territory | 100 | 82,900 | 51,600 | 134,600 | |
| Australia | 100,900 | 416,600 | 251,000 | 768,500 | |

(See Year Book Australia 1977-78 page 295)

APPENDIX "B"

RATING SYSTEMS IN THE AUSTRALIAN STATES

AS AT JUNE 1976

| State or Territory | Number of Councils rating on | | Area of Councils rating on | |
|------------------------------|------------------------------|-------------------|----------------------------|------------------|
| | Land Value* (1) | Annual Value* (2) | Land Value (1) | Annual Value (2) |
| | | | <u>Square Kilometres</u> | |
| New South Wales | 214 | - | 705,651 | - |
| Victoria | 62 | 149 | 28,069 | 199,031 |
| Queensland | 131 | - | 1,726,700 | - |
| South Australia | 38 | 98 | 61,058 | 89,498 |
| Western Australia | 126 | 12 | 2,525,306 | 194 |
| Tasmania | - | 49 | - | 68,330 |
| Australian Capital Territory | 1 | - | 2,433 | - |
| Northern Territory | <u>2</u> | - | <u>221</u> | - |
| | 574 | 308 | 5,049,438 | 357,053 |
| Percentage of totals | (65.08) | (34.92) | (93.39) | (6.61) |

Notes *Land Value (column (1)) means the value of the land only apart from improvements. The actual terms used vary between the different States. The words land value, site value or unimproved capital value are used to describe it.

** Annual Value (column (2)) means the annual rental value of the land plus improvements on it. The square kilometres incorporated into local government units in the following states, and hence not subject to any form of rating, are: New South Wales 95681; Victoria 154; South Australia 810,999; Northern Territory 832517.

Sources: Local Government Authorities Australian Yearbook 1977-78

Australian Bureau of Statistics Census Returns 30th June 1976.

APPENDIX "C"

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE - 1976/77

STATE OF NEW SOUTH WALES

| Collection by | Amount levied directly as land rent (1) | Amount levied directly on site value (2) | Amount levied indirectly as site value component of annual value (3) | Amount levied indirectly as site value component of annual value (4) | Total amount of site rent collected (5) |
|---------------------------------------------------------------------|--------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million |
| 1. Land rentals payable on leasehold tenures | | | | | |
| (a) Western Lands Division | 0.957 | - | - | - |) |
| (b) Water & Irrigation Conservation Corporations | 0.554 | - | - | - |) |
| (c) Railway Department land | 7.402 | - | - | - |) |
| (d) Other leaseholds | 11.244 | - | - | - |) |
| 2. Land Tax (State) | - | 111.638 | - | - | 111.638 |
| 3. Rates on Land Values: Local Government for ordinary services | - | 420.624 | - | - | 420.624 |
| Local Government for business undertakings | - | - | - | - |) |
| Water | - | 22.900 | - | - |) |
| Sewerage | - | 20.713 | - | - |) |
| Electricity | - | 0.790 | - | - |) |
| Gas | - | 0.185 | - | - |) |
| County Councils | - | 2.201 | - | - |) |
| Water & Sewerage Corporations | - | 135.071 | 41.237 (=46% of 89.647 AV) | - |) |
| Sydney Metro | - | 17.140 | 3.426 (=40% of 8.565 AV) | - |) |
| Hunter District | - | - | - | - |) |
| Water Conservation & Irrigation Commn. (incl. water rights 1973-74) | - | 3.538 | - | - |) |
| 4. Mining and Forestry Royalties | \$20.157 m. | \$734.800 m. | \$44.663 m. | - | \$799.620 m. |
| | \$60.900 m. | - | - | - | \$60.900 m. |

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976/77

STATE OF VICTORIA

| Collection by | Amount levied directly as land rent (1) \$ million | Amount levied directly on site value (2) \$ million | Amount levied indirectly as site value component of annual value (3) \$ million | Amount levied indirectly as site value component of annual value (4) \$ million | Total amount of site rent collected (5) \$ million |
|---------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------|
| 1. Land rentals payable on leasehold tenures | | | | | |
| (a) Railway lands | 3.688 | - | - | - | - |
| (b) Crown lands department | 4.900 | - | - | - | 16.904 |
| (c) Other State Commissions | 8.316 | - | - | - | - |
| 2. State Land Tax | - | 59.804 | - | - | 59.804 |
| 3. Rates on Land Values | | | | | |
| (a) By Local Government for | | | | | |
| Ordinary services | - | 134.665 | = 40% of | 58.617 (146.543 AV) | - |
| Dandenong Valley Authority Separate Rates | - | 1.847 | (0.230 AV) | 0.092 | 196.602 |
| Other Miscellaneous Rates | - | 1.016 | (0.686 AV) | 0.274 | - |
| | | 0.091 | | | |
| (b) Water & Sewerage Corporations | | | | | |
| Melbourne & Metro. Board of Works | - | - | = 46% of | 74.831 (162.676 AV) | 74.831 |
| County Sewerage Authorities | - | 0.989 | = 40% of | 4.754 (11.886 AV) | 5.743 |
| (c) State Rivers & Water Services Commission | | | | | |
| Irrigation Districts | | | | | |
| Water rates | - | 0.638 | - | - | - |
| Water rights | - | 7.824 | - | - | - |
| Waterworks Districts | | | | | |
| Urban & Rural Districts | - | 0.068 | = 40% of | 1.709 (4.272 AV) | 15.889 |
| Waterworks Trusts | - | 0.360 | (8.211 AV) | 3.284 | - |
| River Improvement Trusts | - | 0.024 | (0.098 AV) | 0.039 | - |
| Flood Protection Districts | - | 0.001 | (0.134 AV) | 0.054 | - |
| TOTALS | \$16.904 m. | \$209.215 m. | \$143.654 m. | \$369.773 m. | \$ 47.700 m. |
| 4. Mineral and Forestry Royalties | \$47.700 m. | - | - | - | \$ 47.700 m. |
| Ø Charges on area roughly approximating to site value | | | | | |

APPENDIX "C"

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976/77

STATE OF QUEENSLAND

| | Amount levied directly as land rent (2) \$ million | Amount levied directly on site value (3) \$ million | Amount levied indirectly as site value component of annual value (4) \$ million | Total amount of site rent collected (5) \$ million |
|----------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Collection by | | | | |
| (1) | | | | |
| 1. Land rentals payable on leasehold tenures: * | | | | |
| (a) Pastoral leases | 1.590 | - | - |) |
| (b) Selection tenures | 5.272 | - | - |) |
| (c) Special leases | 1.537 | - | - |) |
| (d) Country, Suburban and Town Land leases | 0.352 | - | - |) |
| (e) Mining leases | 1.488 | - | - |) |
| (f) Miners' homestead leases | 0.160 | - | - |) |
| (g) Railways land leases | 0.195 | - | - |) |
| 2. Land Tax (State) | - | 12.764 | - |) 12.764 |
| 3. Rates on land values | | | | |
| Local Government for: | | | | |
| General and other rates | - | 135.907 | - |) |
| Business undertakings: | | | | |
| Waterworks | - | 23.737 | - |) 181.726 |
| Sewerage | - | 22.082 | - |) |
| 4. Mining royalties | | | | |
| TOTALS | \$10.594 m. | \$194.490 m. | - | \$205.084 m. |
| | \$50.800 m. | - | - | \$ 50.800 m. |

* For 1973-74

APPENDIX "C"

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976/77

STATE OF SOUTH AUSTRALIA

| Collection by (1) | Amount levied directly as land rent (2) \$ million | Amount levied directly on site value (3) \$ million | Amount levied indirectly as site value component of annual value (4) \$ million | Total amount of site rent collected (5) \$ million |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 1. Land rentals payable on leasehold tenures | | | | |
| (a) Lands Department | 1.051 | - | - |) |
| (b) Mines Department | 0.236 | - | - |) 3.105 |
| (c) Other leaseholds | 1.818 | - | - |) |
| 2. Land Tax (State) | - | 18.384 | - | 18.384 |
| 3. Rates on land values | | | | |
| Local Government for ordinary services | - | 18.631 | 23.200 (58.000 AV) = 40% of | 41.831 |
| Water & Sewerage Corporations Adelaide Metro. Area Waterworks Sewerage Country Waterworks Country Sewerage | - - - - - - | - - - - - - | 13.628 (34.071 AV) 9.488 (23.720 AV) 4.004 (10.009 AV) 0.940 (2.350 AV) = 40% of | 28.092 |
| 4. Irrigation land rents | 0.095 | - | - | 0.095 |
| Irrigation water rates | - | 1.754 | - |) |
| Drainage rates | - | 0.068 | - |) 1.825 |
| War service land drainage | - | 0.003 | - |) |
| TOTALS | \$3.200 m. | \$38.804 m. | \$51.260 m. | \$93.296 m. |
| 5. Mining Royalties* | \$2.310 m. | - | - | \$ 2.310 m. |

* for 1975-76

APPENDIX "C"

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976/77

STATE OF WESTERN AUSTRALIA

| Collection by | Amount levied directly as land rent (1) | Amount levied directly on site value (2) | Amount levied indirectly as site value component of annual value (3) | Amount levied indirectly as site value component of annual value (4) | Total amount of site rent collected (cols. 2+3+4) (5) |
|----------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million |
| 1. Land rentals payable on leasehold tenures of Department of Lands and Department of Mines* | 5.700 | - | - | - | 5.700 |
| 2. Land Tax (state) Metro Region Improvement Rate | - | 11.742 2.188 | - | - | 13.930 |
| 3. Rates on Land Values Local Government for: <u>Ordinary Services</u> | - | 53.714 | - | 6.278 (15.694 AV) = 40% of | 59.992 |
| <u>Water, Sewerage & Drainage Corporations</u> | | | | | |
| Metro. Water Services & Drainage Board | - | - | - | 12.798 (31.997 AV) = 40% of |) |
| Public Works Department | - | - | - | 1.129 (2.823 AV) |) |
| Water Rates | - | - | - | 0.777 (1.943 AV) |) |
| Sewer Rates | - | - | - | - |) |
| Irrigation Rates | - | - | - | - |) |
| Drainage Rates | - | - | - | - |) |
| TOTALS | \$5.700 m. | \$68.194 m. | \$20.982 m. | - | \$94.879 m. |
| 4. Mineral & Forestry Rights | \$57.300 m. | - | - | - | \$57.300 m. |

* for 1975-76 Ø Levied on area basis approximately site value

LAND RENT COLLECTED IN AUSTRALIA AS PUBLIC REVENUE 1976/77

STATE OF TASMANIA

| Collection by (1) | Amount levied directly as land rent (2) \$ million | Amount levied directly on site value (3) \$ million | Amount levied indirectly as site value component of annual value (4) \$ million | Total amount of site rent collected (5) \$ million |
|------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 1. Land rentals payable on leasehold tenure | 0.500 | - | - | 0.500 |
| 2. Land Tax | - | 3.373 | - | 3.373 |
| 3. Rates on land values <u>Local Government for:</u> Ordinary services | - | - | = 30% of (31.025 AV) | |
| Water | - | - | (8.364 AV) | 13.874 |
| Sewerage | - | - | (6.860 AV) | |
| | <u>\$0.500 m.</u> | <u>\$3.373 m.</u> | <u>\$13.874 m.</u> | <u>\$17.747 m.</u> |
| 4. Mineral & Forestry royalties | \$6.700 m. | - | - | \$6.700 m. |

AUSTRALIAN CAPITAL TERRITORY

| | | | | |
|-------------------------------------------------|-------------------|--------------------|---|--------------------|
| 1. Land rentals payable on leasehold tenures | 2.056 | - | - | 2.056 |
| 2. War service land settlement rents | 1.444 | - | - | 1.444 |
| 3. Local Government rates | - | 12.098 | - | 12.098 |
| | <u>\$3.500 m.</u> | <u>\$12.098 m.</u> | - | <u>\$15.598 m.</u> |
| 4. Mineral royalties and offshore petroleum | \$14.000 m. | - | - | \$14.000 m. |

NORTHERN TERRITORY

| | | | | |
|-------------------------------------------------|-------------------|-------------------|---|-------------------|
| 1. Land rentals payable on leasehold tenures | 1.000 | - | - | 1.000 |
| 2. Local Government rates | - | 3.405 | - | 3.405 |
| | <u>\$1.000 m.</u> | <u>\$3.405 m.</u> | - | <u>\$4.405 m.</u> |
| 3. Mineral royalties | \$0.545 m. | - | - | \$0.545 m. |

STATISTICAL SOURCES USED IN THIS PAPER

Canberra: Year Book of Australia, 1977-78
Canberra: Public Authority Finance: Taxation: Catalogue No.5506.0

| | |
|-------------------|---------------------|
| Victoria | Catalogue No.5501.2 |
| Queensland | " " 5502.3 |
| Western Australia | " " 1303.5 |
| New South Wales | " " 5503.1 |
| Tasmania | " " 5501.6 |

South Australia Highways Department Annual Reports Appendix H
Australian Capital Territory Catalogue No.1307.0
Northern Territory Statistical Summary Catalogue No.1306.0
Various States' Census returns 30th June, 1976

Also Year Books issued by the various States supplemented by
direct enquiries to relevant bodies.
