

BLOEMFONTEIN ADOPTS SITE VALUE RATING

IN OUR April issue we reported the decision of the Bloemfontein Town Council to impose the local rates on the value of land, exempting buildings and improvements. Later information now received explains that this change in rating applies to all rates other than the sanitary rate, in regard to which, in terms of the Local Government Ordinance, local authorities in the Orange Free State have at present no option except to charge the rate on land and buildings taken together. But the Council's resolution urged the amendment of that Ordinance so as to permit local authorities to apply the site value rating system also to the sanitary rate.

Local assessments in the Orange Free State, and the same is true throughout South Africa, show for every property in two separate columns (a) the composite value, being the capital value of land with the buildings if any upon it, and (b) the capital site-value apart from any buildings. The valuations have been so made, with triennial revision, for many years. Accordingly, the transference of rates from the composite value to the value of land alone (when local authorities decided upon the change) is easily effected, without having first to make a separate valuation of the land. Using their optional powers, the majority of Transvaal towns and villages now levy rates on land values to the partial or total exemption of buildings—Johannesburg, for example, rates land values only. In Durban, Natal, the reform has been carried to a half-way stage, the rate on buildings being half that on land values; in East London, Cape Province, the rate on buildings is about one-twelfth of that on land values. In the Orange Free State the optional power to rate land values has been applied in Kroonstad, Bothaville, Clarens, Voljoenskroon, Vrede and Petrus. Now Bloemfontein has given a further lead which should have a wide and favourable reaction throughout the whole Dominion.

"THE FRIEND" ON THE DECISION

The Bloemfontein resolution was adopted unanimously on 26th November. It was acclaimed in a remarkable leading article in *The Friend* of 29th November, one of South Africa's most influential daily papers. Here was invaluable support for the principle. Noteworthy, also, is the reference to the view expressed at the National Conference of Estate Agents held in Durban. We quote:—

"The Town Council has taken a bold and, in our view, a progressive step forward by the decision at last Friday's meeting on the principle of going over to site rating from the beginning of the financial year 1945-46.

"In deciding on this radical departure in municipal rating in the midst of the war and in adopting a fixed and reasonably early date for the change-over, instead of postponing the matter

until the end of the war, the Council has shown a welcome spirit of confidence in the future of Bloemfontein and a proper initiative in preparing for post-war eventualities.

"Like the Chairman of the Finance Committee and presumably, too, the rest of the Town Council, who gave him their unanimous support, we visualise the site-rating policy as a potential factor of great value in stimulating the particular line of civic development which Bloemfontein to-day more than ever must strive to follow.

"The theoretical advantages and economic consequences of site rating, as compared with the present method of composite taxation of sites and improvements, are tolerably well known and were indicated in the course of the Council debate.

"Rating of improvements as well as of sites means, in effect, a tax on individual enterprise and capital outlay on the betterment of properties. It means a differential benefit conferred on those who, whether by good luck or shrewd speculative instinct, have succeeded in acquiring sites in the principal business areas of the town where property values have risen and are continuing to rise automatically with every increase in the business activity and prosperity of the town.

"The present composite rate results in a low rate on site values. That in its turn serves to discourage the spending of money on substantial buildings which would add to the amenities and architectural distinction of the town. In many cases a low site rate plus a rate on improvements may even act as a positive encouragement to ground-owners to hold up building on desirable sites in the hope of reaping the advantage of a general rise in values due to community progress—an unearned increment in the truest sense.

"Locally, the natural expansion of the business centre to areas adjoining Maitland Street will give added force to the view that increasingly valuable commercial sites should be suitably developed and improved; and we imagine that site rating would play an important role in that process. In the residential and suburban areas, the removal of the rate burden on buildings, even if the site rates are considerably greater than at present, should, in the words of Councillor Deane, be a big inducement to citizens to build their own homes. Councillor Deane had a powerful argument in favour of site rating, from the standpoint of the salaried man and the lower-paid worker, when he pointed out that 'site rating would mean a reduction in the rates payable by the average owner of suburban residential property to the extent of approximately 22½ per cent.' Bloemfontein's old reproach that its homes are among the highest rated in South Africa, would lose its sting. Since the municipality would have to receive at least the same rate revenue

after the change-over, the bulk of taxation would be transferred to business and other property in the central area.

"It is true, as was suggested at the Council meeting, that the higher rate charges might be passed on by business firms to other sections of the community; but competition would put a brake on that, and in any case, the burden would be spread over so large a number, including so many non-rate-payers, that it would be hardly noticeable. Opposition to the change will no doubt be forthcoming; and the critics will be on sure ground if they urge that the Council should place all its facts and figures before the public if it wishes to convince the sceptics that the new system is in Bloemfontein's interests at its present stage of development."

"On the general principle, however, we feel that the Council's decision was in every way right. Our opinion is strengthened by the fact that at the recent national conference of estate agents, held in Durban—a conference attended by men with an intimate knowledge of property values and the public needs both as regards sites and buildings—the principle of site rating was definitely endorsed as the most advantageous system from all points of view."

DEBATE IN THE COUNCIL

(From Report in "The Friend,"
27th November.)

A unanimous decision to switch over from the present composite rating system to site rating was taken by the Town Council at its meeting yesterday, the change-over to take effect from 1st April, 1945.

The decision arose from a recommendation by the Finance Committee "that the Council adopt in principle the system of site rating, but that the change-over be delayed until one year after the cessation of hostilities, and that representations be made meanwhile for the amendment of the Local Government Ordinance to enable the adoption of a scheme allowing for the gradual change-over to site rating spread over a period of three years."

The Chairman of the Finance Committee (Lieut.-Colonel L. W. Deane) said that this was a serious and very important matter, deserving the closest consideration of the Council. Many members—he hoped the majority of them—felt that the time had arrived for a change-over from the present composite system to one of site rating.

There seemed to be a very considerable volume of opinion in the town that site rating meant a change of valuations of sites. That was not the case. The proposed rate or tax would be levied on the value of the land alone, instead of on the composite value of both land and buildings as at present, but the rating would be based on the existing values as fixed by the Valuation Court.

(Bloemfontein—Contd.)

Leading authorities in the country, and in fact all over the world, had gone into this matter exhaustively and had come to the conclusion that the value of land was created by the community and should, therefore, be taxed for the benefit of the community, while buildings and other improvements on the land were created by the individual and should not be taxed to benefit the community.

In going over to site rating the Town Council would not increase its revenue but merely alter the incidence of such revenue. The Council was bound by the Local Government Ordinance, which in effect laid down that if the ratepayers decided to go over to a site rating system the Town Council must derive the same revenue under that system as it had obtained under the previous composite system. The Council was thus tied down to a specific amount of revenue.

Under the present system the Town Council levied a town rate of 2½d. in the £, of which 1½d. was the statutory amount allowed to all municipalities without sanction of the ratepayers, and a 1d. special rate sanctioned by the ratepayers in respect of loans for particular improvements in the town.

Then there was a sanitary rate of 1½d. in the £, levied on both land and buildings. In terms of the Local Government Ordinance this rate must be levied on both land and buildings.

In recommending that the Council should go over to a site rating system the Finance Committee confined itself to the town rate as distinct from the sanitary rate, and it proposed that the change-over should be introduced gradually in three consecutive yearly steps—a levy of 4½d. on land values and 1½d. on improvements for the first year; 7½d. on land and ¾d. on improvements for the second year, and 9½d. on land and nothing on buildings for the third year.

Counsel's opinion had been taken on the matter, and counsel's interpretation of the Local Government Ordinance was that the proposed annual steps could not be taken without the consent of the ratepayers in respect of each step.

To his mind, said Colonel Deane, site rating would be a big inducement to citizens to build their own residences. An obstacle in the past had always been the opinion expressed by many that the town rates on dwellings were prohibitive. Site rating would mean a reduction in the rates payable by the average owner of suburban residential property to the extent of approximately 22½ per cent.

Councillor C. Sutton said that the Council should be grateful to Colonel Deane for his clear exposition. It was apparent that the ratepayers were not satisfied with the existing position, and it was up to the Council to change over to site rating.

The Mayor (Councillor A. C. White) recalled that about five years ago he had submitted a similar proposal to the

Council, so that no one could say he was opposed to site rating. In effect site rating meant the shifting of the burden of taxation from the suburban residents to the shoulders of the commercial community and the industrialists in the centre area of the town. It was contended that the business men and the industrialists would in all probability pass the burden back to the shoulders of the suburban community by increased charges for goods. He expressed the fear that the incidence of site rating would induce owners of property in the business centre to seek alleviation in the erection of bigger buildings, which might result in "overbuilding" and a consequent surplus of shops and offices.

In reply to Councillor White, Colonel Deane said that competition from suburban stores would in a large measure nullify the possibility of the tax burden being passed on to the general public. In comparison with the turnover of the large merchants the increased amount they would have to pay in rates would be negligible. Prudent business men would work out the position very carefully, and would not overbuild, as feared by Councillor White.

In reply to Councillor R. C. Streeten, who feared that the mere adoption of the principle of site rating would lead to the shelving of the proposal and felt that there was no necessity to leave the matter in abeyance until after the war, Colonel Deane said that he himself was far more in favour of a definite date being fixed and suggested 1st April, 1945. He felt that a reasonable time should be given those concerned to adjust themselves to the changed incidence of taxation.

The following resolution was adopted unanimously:—

"That the Town Council adopt in principle the system of site rating, to take effect from 1st April, 1945, and that representations be made meanwhile for the amendment of the Local Government Ordinance to enable the adoption of a scheme allowing for the gradual change-over to site rating, spread over three years, and for an amendment permitting local authorities to apply site rating either in full or in part to the sanitary rate."

ADVOCATE STREETEN

We are indebted to Mr. F. A. W. Lucas, K.C., of Johannesburg, for the newspapers reporting the Bloemfontein victory. But Mr. Lucas had to add the sad note that Councillor R. C. Streeten, who did so much to achieve the victory, died not long after. We associate ourselves with the tribute paid in *The Free People*, Johannesburg, April issue: "By the passing of Mr. R. C. Streeten, our movement has lost a devoted and active helper who will stand as a bright example to us all. It was the justice of the cause for which this paper stands that called forth his vigorous support. Bloemfontein, of which he was at one time Mayor, and South Africa as a whole have lost a faithful son in his death."

MR. E. J. CRAIGIE'S CAMPAIGN

The *People's Advocate* (Adelaide), 22nd May, reports the results in the Flinders District in the recent South Australian State general election. The alternative vote is the method of election, and compulsory voting was used for the first time in the history of the State. The resentment felt by many electors at being compelled to mark a preference for a candidate they had no desire to see elected was shown in the large number of informal votes.

First preference votes were: Craigie (Independent), 1,207; Mrs. J. Octoman (unendorsed Liberal and Country League), 410; J. V. O'Leary (Labour), 1,382; R. W. Pearson (the sitting Liberal and Country League member), 2,183; informal, 183. Mrs. Octoman's second preference votes were transferred, making the count: Craigie 1,333, O'Leary 1,416 and Pearson 2,419; and when Craigie's second preference votes were transferred the final totals were Pearson (elected) 3,001 and O'Leary 2,072.

The result of the election, the *People's Advocate* says, was surprising to many. The Labour candidate appears to have addressed only one meeting, where three Labour men spoke to 25 electors. The first preference vote of 1,382 was a testimony of party members to their candidate. Many farmers supported Labour believing it was the Labour Party that gave them better prices and subsidies for primary products. The Liberal candidate rested his case on the work of the Playford Government and the many promises as to what would be done if that Government was returned to power. Despite the fact that the Liberal Government shows a deficit of about £300,000 on this year's accounts, it did not hesitate to promise works and concessions amounting to about £8,000,000, without any reference as to how they would be financed.

Mr. Craigie, the Land Values and Free Trade and P.R. candidate, had so many and such well-attended meetings and there was such public interest in his campaign that the vote obtained was disappointing. "Although the seat was not won for our principles," the *People's Advocate* says, "good educational work was done, and the worth of that work will be assessed at its true value when the realities of the post-war problems have to be faced by the parliamentary representatives. The promises made during the recent election campaign will then stand out in their true light and be revealed as a delusion and a snare."

Mr. Craigie is President of the International Union for Land Value Taxation and Free Trade, 4 Great Smith Street, London, S.W.1. He sat for the Flinders District in the South Australia Parliament from 1930 to 1941.

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

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