

"FAIR PLAY FOR THE SMALL MAN"

In a pamphlet under this title the Liberal Party has issued a report by a committee on the position of the independent trader. The passages printed below are those dealing with local taxation.

The Burden of Rates

The heavy burden of rates, which tends to increase year by year, is a matter which affects all retailers and the Independent Trader in particular. Rates are often a formidable item in his balance sheet. Generally speaking, they constitute a higher percentage of his total overhead charges than they do in the case of the large multiple concern, whose other "overheads" are on a much bigger scale and whose resources and turnover are also greater. . . .

. . . Where a city or town expands or new roads are built and increased land values are thereby created, . . . this increased value or at least some part of it should go to the community which has created it rather than into the pockets of the land speculator. It is only reasonable that the ratepayers who have had to bear the cost of new public services should be reimbursed from the increased values which these new services create. A golden opportunity for introducing much-needed reforms presented itself in 1929, when the Government of the day expressed the intention of making changes in local government and in the rating system. Unfortunately the opportunity was missed and the real evils of the existing system were left untouched.

The De-rating Act

The Conservative Local Government Act of 1929, which became known as "Mr. Chamberlain's De-rating Act," made no fundamental alteration in the method of assessment but gave relief from rates to agricultural land and buildings and to industrial premises. The former were granted complete exemption and the latter were relieved to the extent of 75 per cent. This was done with the object of assisting industry and agriculture, but, as the cost of public services still had to be paid for, it involved throwing an additional burden on to the remaining ratepayers. Much of this burden has fallen on retailers. All industrial concerns—including some which were making large profits—became entitled to relief so long as they came within the technical definition of "industrial hereditaments." From that definition "retailing" was specifically excluded.

It has always been difficult to justify the Conservative policy of de-rating on grounds of equity, since relief was granted irrespective of need and was applied to low-rated as well as to high-rated areas. It is still more difficult to justify it to-day, when many manufacturers are engaged on Government contracts by the nature of which they enjoy guaranteed profits, whilst the rates from which they are relieved add to the burden which has to be shouldered by the retailer, who is already bearing more than his fair share of hardship as the result of the war.

The Root of the Evil

An amendment of the De-rating Act is long overdue, but that alone will not suffice, for the root of the evil lies in the principles on which rates are levied. Under

the present system the value which the Assessor has to settle in making his assessment is what a willing tenant would pay for the property in its existing condition and having regard to the use to which it is being put. The consequences of adopting this basis of assessment are not fully appreciated. For instance, a Bank occupying a good position in a main street is likely to be rated at a lower value than a shop in the same street. This is so because a Bank is treated as an office, and if let in its existing condition would not carry as much rental value as a shop.

Again, since assessments are based on estimated letting value, any improvement made to the property by the owner or occupier is regarded as increasing the letting value and is generally followed by an increase in the assessment. Thus the enterprising person who improves his property has to suffer for doing so by paying higher rates. This is a very real source of grievance. . . . After the war it will be necessary for Independent Traders, if they wish to hold their own, to be ready to adopt new ideas, introduce improvements and make their premises attractive. It would be adding insult to injury to advocate such a policy if we did not at the same time urge the abolition of a system which is so unfair to those who make any improvements at all.

Rating on the Value of the Pitch

Rating on the value of the pitch, better known as rating of site values, is in our opinion the only sound principle. The value of the site provides a much fairer basis than the existing condition of the property or the use to which the property is being put. Furthermore, the adoption of this new basis would redress at least one of the injustices under which the small trader suffers to-day. We have already observed that the multiple firm and chain stores generally acquire the cream of the central sites. Sometimes a firm will take more than one site and occupy a strategic position so that potential customers—so to speak—are under fire whichever way they arrive. It is only reasonable that the shop which enjoys these benefits should pay rates in proportion to the value of the site. Under the present system it is true that the rates on shops in central positions are higher than in the secondary streets, being based on letting value; but in cities of other countries, notably Sydney, Johannesburg, New York and Chicago, where the sites are valued separately from the buildings, it has been shown that the central sites, especially those at the corners of the main streets, are not merely twice as valuable as those in the secondary streets, but several times as valuable.

In cities where the local rates are based on the site value, shops occupying the corner central sites pay on the value of their position, so that large stores are not able to occupy the best sites and pay less than their full share of the rates, and the small trader in a secondary street or suburb has the satisfaction of knowing that the rates which he has to pay are proportionate to the value of the site which he occupies.

There is thus solid experience to support the reforms we advocate. While the

revision of the De-rating Act and the acquisition of land values created by the community would lessen the total burden of rates falling on retailers as a whole, the alteration in the method of assessment would ensure a fairer distribution of that burden. Rating reform is, in fact, a measure demanded by general principles of social justice, and would have many other beneficial effects beyond those mentioned. Our concern here, however, is with the position of the Independent Trader, and it is therefore mainly from his standpoint that the problem has been dealt with.

The present rating system . . . is both unjust to retailers generally and unjust also in its distribution of the burden between large and small retailers. The loss which the Rotary Authority incurs owing to the derating of industrial premises has to be made good by the general body of ratepayers, including shopkeepers both large and small, whose expenses are thus unfairly increased; improvements are penalised; and increments in site value due to the activities of the community accrue, not to it, but to landowners who have done nothing to earn them. At the same time shops on central sites pay less than their just share of the rates as compared with shops in side streets or in the suburbs. As a remedy it is recommended that rates should be levied on the value of the pitch—or, in other words, on site value. . . . If it were adopted it would bring considerable relief to small shopkeepers, besides ensuring that the rate burden on retailers generally was equitable, encouraging, instead of discouraging, improvements, and securing for the community the values to which it is entitled.

In giving the foregoing statement publicity we must at the same time point out that the resolution on rating reform adopted at the meeting of the Liberal Assembly did not give effect to the argument here so well stated for rating site values and unrating buildings and improvements. It proposed a very complicated and inequitable scheme for giving various degrees of relief to buildings according to the date at which they were built.

Editor, *Land and Liberty*.

One of the biggest financial deals in the history of the coal and oil industries of the country has been consummated by the Powell Duffryn Associated Collieries having acquired the whole undertaking of Cory Brothers & Co. The Powell Duffryn group already controlled a coal output of over 20,000,000 tons a year and the organization for distributing and selling it, while it is also interested in coke ovens, gas plants, iron and steel foundries and boiler works, wagon construction and repair, steamships and electric power plants. By merging with Cory Brothers it controls an additional coal output of 2,000,000 tons and acquires extensive agencies abroad for the marketing and export of coal. The combine will control nearly 70 per cent of the total Welsh coal output and 80 per cent of all Welsh steam coal.