Land and Land Values in the Transvaal

By HARRY F. LEVETT

BASICALLY, of course, land and its value in the Transvaal has the same impact on the economy of the Province as land and its value has in other countries; but there are differences. Most Transvaal local authorities, from Health Committees up to City Councils, rate site values only; improvements of any sort in these areas (except on mining ground) are exempt from tax by local authorities. Land outside, but adjacent to, local authorities is controlled by the Peri-Urban Areas Health Board in Pretoria, which thus acts as a " local " authority although in fact it is far from being " local " for most of the areas under its control. This Board also uses the site-value rating system but, unfortunately, much of the land under its control pays no rate or tax whatsoever.

It is a different story in the Cape of Good Hope Province. There no land escapes local taxation, even farms which may be 150 miles from the nearest railway line being rated. The Province is covered by Divisional Councils (which resemble in some ways the Rural District Councils in England), and these are the rating authorities. Most of them rate improvements as well as site values; the rate on improvements, however, is generally on a lower scale than the rate on site value.

Throughout South Africa, whichever rating system is employed, it is the general practice for local authorities to make periodical separate valuations of sites and of any buildings or other improvements on or in the land. To cite an up-to-date example, a revaluation has been completed recently at Estcourt, in Natal. The valuation roll shows site value at a total of £1,153,100, and improvements at a total of £2,730,875. On this valuation, Estcourt has struck a rate of 7d. in the £ on the site values and 1d. in the £ on improvement value. An important point to note is that nowhere in South Africa during the long period in which separate valuations have been made have official valuers experienced any serious difficulties.

Land is more expensive to rent or to buy in the Transvaal than in the Cape. In Johannesburg, which claims to be the largest city in the world not situated on a sizable river, lake or ocean, land prices are very high indeed. In the Eloff/President Streets area land is worth £56 a square foot, while in the more heavily populated and more favourably sited cities of New York and London land is said to be worth £200 a square foot in the Wall Street area and £150 a square foot in the vicinity of the Bank of England. These figures were published in the Johannesburg *Star* early in 1957. Land outside Johannesburg also commands very high prices. This is due in part to the absence of a rural site-value rate, and to the momentum of the wild speculation following on the discovery of gold on the Witwatersrand. There are, of course, many other reasons for the disparity in the value of land in the two Provinces. One is that in the Transvaal large towns have grown up around (and because of) the mines whereas in the Cape mining areas are generally remote from the towns.

Other factors have an effect. Large " land and finance " companies own or hold options over large tracts because of the possibility of further gold discoveries. All too often these remain undeveloped while the companies decide what, if any, activities can be operated. Individual and small land-owners are influenced. Thus a casual overnight stay of a man known to be " high-up " in a large company can cause at least " wishful thinking " about the possible selling price of land in the neighbourhood. In addition the incidence of income-tax has led many rich men into making investments in idle unproducing land. For instance the Johannesburg *Sunday Times* reported (nearly three years ago) that one " farmer " in the Cape at that time owned more than 140,000 morgen (more than 70,000 acres) in one area alone " apart from the land that he owns elsewhere."

However, in recent years a very uncertain factor has entered into the problem of land and its value. The Nationalist Party government of South Africa has begun to implement its " Group Areas " policy, under which areas will be declared for the exclusive occupation of Europeans (whites), of African Bantu (blacks), of Asiatics (principally of Indian origin), and of coloureds. Land which years ago was well away from " town " and of low value was set aside for occupation and ownership by African Natives; now the growth of the " town " has raised the values of these areas and the " blacks " are being forced to move to other areas farther away. The removal of the " blacks " (e.g. from the well publicised Sophiatown) will of course have the effect of raising land value in the " white " areas immediately adjacent thereto. On the other hand, " white " areas such as Nancefield are now surrounded by " black " areas, hence the property owners of Nancefield see no hope of ever being able to sell their properties and have petitioned (unsuccessfully) to the Government to buy them out. The future of any area is thus problematical because whatever decision is made now by the Minister of Native Affairs and his Cabinet colleagues may be modified or even reversed by their successors, even if the same political party remains in office.

Because land "ownership" by Natives is being forbidden, areas set aside for Native occupation necessarily must belong either to a municipality or to the Government. Little or no information has been made public as to who is receiving the purchase price or the expropriation price for these areas. Without here discussing moral and ethical consideration, it is obvious that fortunes (large or small) may be made or lost as a result of a government decision under its " Group Areas " policy. Fortunes may also be made or lost as a result of prior knowledge of the Government's intention to build or not to build a dam, or to irrigate a dry area, or of a municipal council's plans for making a park in a suburban area. A host of other national or local decisions similarly affect the sensitive value of land, to the benefit of some and the loss of others.

The principles of the "Group Areas" policy could be very largely implemented, with a minimum of outcry and disturbance, by a full use of the site-value-rate principle. It is clear that neither the members of the Government nor of the Nationalist Party (nor, for that matter, members of the other parties) realise this. Yet what has happened in Johannesburg provides ample proof to support this contention. For instance there is an area popularly known as "Motortown" where the ground-floor shopping spaces and the upper floors of office buildings are occupied almost exclusively by the companies in the motor trade. Similarly, another section in the city is held almost exclusively by wholesale merchants. In another area the head offices of the banks, insurance companies, and building societies are grouped together. Much the same applies in residential suburbs; some are almost entirely "English-speaking," others are mainly "Afrikaans-speaking." These commercial and residential "groupings" have developed without any legal compulsion, merely on the well known basis that "birds of a feather flock together."

If the site-value rating principle were fully implemented—that is, if the Union Government and the Provincial Administrations drew the bulk of their revenues from site rates—the Natives, being the lowest paid group of workers, would naturally gravitate to the areas where, because the land is cheapest, the rates would be lowest. Similarly, and almost unconsciously, other sections of the population would group themselves elsewhere. Today the relatively high price of land forces all sections, except, of course, the wealthy, to live where they can rather than where they would like. Site-value rating, with its effects of generally lowering the price of land and breaking up the concentration of land ownership, if fully adopted, would go a long way towards solving the "Group Areas" problem. Moreover, it would have a highly beneficial effect on farm life and would reverse the current "drift to the towns" of both White and Black.

The Government today draws most of its revenue from income tax and commodity taxes. This puts the farmer at a grave disadvantage. He pays his taxes on the same basis as the townsman but does not receive the government service which the urban dweller gets. The townsman has the railway, police, post offices, etc., within a few minutes' walk or ride; the farmer, especially in the Cape, may be 100 miles from the railway and fifty miles from a post office. He must pay the same tax on petrol as the townsman, but may have to use four or five gallons of petrol on a trip merely to fetch his supplies. Obviously if government revenue was based mainly on site values, the farmer would derive very great benefit.

In the Transvaal any consideration of tax must take into account the mining companies, on the prosperity of which the Province so largely depends. At present the companies pay the assortment of taxes on commodities, like everyone else, plus other taxes, including a special mining tax based on a complicated formula dependent upon the ratio of profit to the production of gold. Since the profit of mining companies is naturally affected by the taxes concealed in the prices of the commodities used in development and production, it is clear that the companies are heavily taxed. Manufacturing companies are similarly affected.

If a few large companies with established cost accounting systems would carry their costing methods a little further, and find out just the extent of the taxation included in their costs, some startling figures would be revealed. A lot of taxation is so concealed that it would never appear; a piece of cloth imported by one company, sold to a clothing manufacturer and made into a shirt, then passing through wholesale and retail stores, obviously accumulates a high tax item in its final retail price. But there are some items more easily analysed; e.g. petrol, which now is merely an item in transport cost, which could however be fairly easily broken down into real basic cost plus tax.

Well publicised factual information of that kind would be most useful. It would strengthen immensely the arguments of South African Georgeists in their attempts to popularise a sound, just and incentive system of taxation which would benefit practically everybody and every section of the community, aside from land speculators.

Dr. Busey's Proposals: A Critique

By Dr. Glenn E. Hoover

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DR. BUSEY'S article may have ruffled some of the True Believers. However, his criticism is refreshing because it comes from a "Land Libertarian," a term he prefers—wisely, I believe—to either "Single Taxer" or "Georgeist."

The first of his numbered grievances is "the semi-idolatry of Henry George" which he finds in much of our work. No one, I suppose, would defend the "semi-idolatry" of George—or anyone else. However, our author is not tilting with wind-mills. Some of George's admirers have believed that George *discovered* important truths, although George himself disclaimed the role of the discoverer.

These enthusiasts should recall that George, the most successful propagandist we ever had, never tried to prove a point by citing from *Progress and Poverty* or any other of his books or speeches. Nor did he make the mistake of identifying his programme with the name of any man—least of all his own. If all of us had followed his example, the charge of "semi-idolatry" would never have been made.