

WONTHAGGI'S GRAPH TURNS

Regenerative Effect Of Rating Reform

From *Progress*, Journal of the Henry George League of Victoria.

WONTHAGGI is a Borough in Gippsland about 86 miles from Melbourne. It owes its existence to the black coalmining industry. These deposits are of limited extent in Victoria, and as the thicker seams worked out, and with development of electric power from brown coal, so its fortunes declined. Coal-mining has continued (though uneconomic) through the support of the Victorian Railways. But it has been generally regarded that Wonthaggi was doomed. Its peak population was 9,000 in 1934, trailing off to 4,500 in 1951 and stabilising at about this level. In 1958 population stood at 4,560.

At this time the Borough changed to site-value rating as a result of a poll of ratepayers. This coincided with a further blow to its fortunes with further heavy dismissals of staff from the Railway-operated State Coal Mines.

Since then the development under site-value rating has already fully justified the faith of those who saw in it hopes of reviving the town's fortunes. In this the permits issued for private building construction are the most sensitive key indicators. After the initial complete collapse of building following the mine dismissals private dwellings construction has revived, and the year ended 30th September, 1960, reached a level double that of any of the preceding six years. Here are the figures for the sequence of years:-

U.C.V. = Unimproved Capital Value (of land only).

N.A.V. = Nett Annual Value (of land and improvements).

Year Ended 30th Sept.	Rate System No.	Dwellings £	Other Blds. £	Altns. & Addns. £	Total £
1960	U.C.V. (17)	39,331	—	17,787	57,418
1959	U.C.V. (3)	4,800	17,000	8,178	29,978
<hr/>					
1958	N.A.V. (6)	11,800	6,042	1,954	19,796
1957	N.A.V. (3)	7,927	45,701	4,089	57,713
1956	N.A.V. (7)	17,775	5,500	7,682	29,957
1955	N.A.V. (6)	8,200	1,000	1,950	11,150
1954	N.A.V. (9)	13,680	2,500	537	16,747

Of these items the most significant are the number of dwellings and the alterations and additions. The "other buildings", mainly business, are more capricious. The continued existence and development of the town is linked with new private dwellings. For these the growth is spectacular enough but understates the true position.

Immediately following the adoption of site-value rating the Cape Patterson area was subdivided and is in process of sale as a holiday resort. Press publicity was given to disclosures in the Council that many homes were being built on this estate without the formality of obtaining building permits from the Council. Worse still, it was

indicated that some of the houses were too good quality to justify the Council demolishing them for not obtaining permits. The sub-division promoters in this area maintained that their sales were not being effected to speculators but to genuine builders, and that there were more homes actually built or constructed than in any other estate around the coast. The editor visited the estate and counted 22 homes wholly or partly built. The actual extent of building since site-value rating has been much in excess of the 17 permits issued.

"Alterations and additions" to houses average six permits annually for the three years before site-value rating. For the first year following the change the figure was 16 and in the year just past 22 permits. Citizens have been stimulated to make improvements to their homes in the knowledge that it would not raise their local taxes. Similarly with business buildings in the year just past the value of permits for "alterations and additions" at £11,195 was nearly four times as much as the maximum reached in any of the last five years of N.A.V. which taxed buildings and other improvements.

In the matter of employment, figures have so far only been released for 1958/59, the first year following the rate change and that in which the nine dismissals became effective. Over the two previous years under N.A.V. industrial employment had increased only from a total of 254 to a new figure of 257. In the first year of U.C.V. it increased to 304. It is known that there has been further expansion since. The experience here is simply in accordance with that of other provincial centres elsewhere. If industries are desired the N.A.V. system is just about the worst possible way to attract(?) them.

Maybe all this is coincidence? The Wonthaggi Borough councillors evidently don't think so since they sent a deputation to the State Rivers & Water Supply Commission seeking to get their water rates changed to the land value basis. And this from a council where one councillor alone (Cllr. Mcleod) advocated land value rating before the poll.

And haven't they every reason to be happy with it as councillors? "*Wonthaggi Express*" (April 28, 1960) was able to report that the Borough was in credit for the first time in five years. Of the rates and charges, 96.6 per cent had been paid.

NEW YORK STOCKBROKERS ON LAND, TAXES AND HOUSING

THE value of the following comment lies principally in its source. It is taken from the *Monthly Letter* (January, 1961) issued by Reinholdt & Gardner, members

of the New York Stock Exchange and similar bodies:—

“Availability of Land. A large part of the increase in the price of new homes has been brought about by rising land prices. One of the factors to which this rise is attributed is the present tax structure, which has favoured land speculation but has penalised land development and improvement for home building. A rich man can hold undeveloped land and pay low taxes on it. He can deduct these from his income taxes, and, if he has borrowed the money, he can also deduct interest charges. Thus, a man in a 75 per cent bracket pays only one-quarter of the taxes and one-quarter of the interest charges. But when he sells the undeveloped land his profits are taxed at long-term capital rates (one-half the normal tax rate, with a maximum of 25 per cent), assuming he has held the property for over six months.

“This speculation is not the only factor raising land prices, but it has created a situation where much land near cities has been bypassed because the owners have held out for too high a price while sections further out find buyers at increasingly high prices. At some point, history tells us, this rise in land prices will end. But in the meantime, if the new Administration overhauls the tax structure and makes speculation in undeveloped acreage less attractive, land for development in suburban areas might become available at much lower prices. To the degree that this makes it possible for new housing to be offered at lower prices, demand will be stimulated.”

Land Speculation

This letter by Mr. Robert Miller, appeared in both the *Hornsey Journal* and the *Hampstead News*. Supporting letters from S. Tucker and “Avon” were published in succeeding issues. Mr. Miller is a voluntary tutor for the Henry George School of Social Science.

IN our desperate endeavours to solve our housing problem we seek remedies in every direction and are prepared to consider almost anything: the establishment by law of fair rents, capital gains tax, compulsory purchase, and so on. But such measures, whatever appeal they may have in expediency, are as aspirins for toothache; they relieve suffering until the offending tooth is removed.

We must first find the tooth and remove it; we can then begin to dispense with the aspirins. In other words, let us see what is wrong with the system which permits, and even encourages, such a sorry state of affairs.

The Minister of Housing says that housing must remain a free market, and that eventually house prices and rents will find their market level; but there is a serious flaw in his argument, for housing is not a free market. A free market can only exist in the absence of monopoly, and land is monopolised. There is a limited supply of it, and many landowners are deliberately withholding it,

knowing that the longer they do so the higher the prices they will obtain.

Who can blame them, when no rates or taxes are payable for the privilege of holding idle land? Any piece of land in an urban area bought a few years ago can be sold today for double. The temptation to withhold it from use is therefore irresistible.

On the other hand, anyone who uses land by building upon it is taxed and rated, and the more he improves his property, the more he has to pay. Progress and civic pride are thus penalised, while waste of land and speculation are encouraged.

But, says Mr. Brooke, high land prices discourage waste. I fail to understand his type of logic. Would it therefore be a good idea to double food prices?

I am dismayed that the new Rating and Valuation Bill contains no provision for the rating of idle land, in spite of the everlasting fact that its value is entirely attributable to the enterprise and industry of the community in the midst of which it stands. It therefore seems inevitable that we shall continue with the old system with its annually-increased burdens upon house-owners and tenants, while owners of undeveloped sites reap rich harvests in ever-increasing prices.

The only just and equitable method is to rate site values, regardless of whether the land is developed or not. By this means owners of idle and poorly-used land are compelled either to develop or sell to those who will, and thus, by bringing more land into the market, the prices fall. This inevitably leads to more and cheaper houses.

Other countries, particularly Denmark, have used the system of site value rating for many years with considerable success. Until we scrap our complicated, unjust, expensive and archaic system and follow their example, land speculation will price houses out of reach of all but the most affluent, while the majority will suffer the alternative of crippling mortgages or no real home life at all.

Archaic Method Of Valuation

By canvassing ratepayers who appeal against their assessments and press correspondents, the Rating Reform Campaign has recruited several new members recently. One is Mr. Ronald Cuttell of Cheltenham Spa, author of the following letter published by the *Gloucestershire Echo*.

WITH great relish, the Inland Revenue Valuation and Rating Department has launched upon us a further orgy of complex paperwork, disgorged by an army of civil servants who are a heavy burden upon the finances of the country.

Some of the anomalies and absurdities of this rating system, calculated to lead us Englishmen pacifically to the slaughter, make me wonder whether we are not quite imbecile as a nation.