

unimproved capital value of rateable properties based on current municipal valuations.

52. Magnitude of freight and fare reductions.

From the proceeds of the railway rate \$20,995,664 would have been distributed to cover the loss sustained by the government on the current basis of finance. The balance of \$27,446,257 would be distributed as an **across-the-board-reduction of 36 per cent** in railway charges to users on passenger fares, freights for goods and livestock, parcels and mails within the Victorian railway system.

53. Summarised effects of the changed charging basis.

Rural Statistical Divisions.

Below is a summary of the changes in the charges under the two-part proposal as they affect the rural statistical divisions of Victoria. The figures are extracted from columns (7) and (10) of the more comprehensive Table "B" of the Appendix and the overall reductions or increases are shown in the final column.

Statistical Division	Land rate revenue charge	Reduction in railway charges	Overall reduction (—) increase (+)
	\$	\$	\$
West			
Central	2,354,944	5,360,459	3,005,515
North			
Central	670,730	484,587	+ 186,143
Western	3,485,368	2,892,508	+ 592,860
Wimmera	978,074	2,320,886	-1,333,812
Northern	2,090,418	3,113,676	-1,023,258
Mallee	500,164	2,568,225	2,068,061
North			
Eastern	990,630	1,375,411	384,781
Gippsland	2,292,099	4,645,320	2,353,221
	13,362,427	22,761,072	-9,398,645

54. In the rural statistical divisions of Victoria the railway users usually have to pay the charges both ways. They pay the freight charges on their outward traffic to their markets. And on their inwards goods prices increased by the freight charge above these in the metropolitan area.

55. The column headed reduction in railway charges relates to the combined reduction on the total outwards traffic and inwards goods

traffic at stations within the statistical divisions named. It is a close approximation but understates the saving to those areas under the two-part proposal because it does not include the parcel traffic which would also bear the same proportionate reductions. Overall the parcels revenue is approximately 6 per cent of the goods revenue.

56. The magnitude of the savings to be made under the proposed change (as shown above) is very great for the rural areas. It would have great force in countering the effects of the entry of England into the European Common Market upon primary producers. It would make it more economical to establish or expand industries in these areas.

57. In six of the eight statistical divisions a substantial saving would be made after balancing the new railway rate on land against the reductions in freight and fare charges. In the other two divisions, where there is an increase on balance it is holdings which make little or no use of the railway services that bear that increase. The incidence of the rate charge on such holdings will encourage owners to re-arrange their plans so that they can get more use of the railway service for which they are committed to contribute in the rate charge. The reduction in the charges for use of the service will also work to make use of the railway facilities more economic to such holders.

58. Riverina Divisions.

The farmers in the Riverina area of New South Wales are served by railway lines constructed and operated as part of the Victorian railway system. Their total outwards revenue plus inwards goods revenue was \$1,160,362, on which the reduction in rail charges would be \$414,249. The offsetting land rate charges for the six local units served cannot be stated with certainty at this stage. If their total land value is rateable it would amount to \$479,000, but part may be deemed outside the benefited area.

59. Melbourne Statistical Division.

Here fares from passenger railway services are the major contributors to revenue and freights for goods and livestock only a minor contributor. In this the position is the opposite to the rural divisions.

60. The Melbourne Division would pay more overall under the two-part charging basis since 73 per cent of the State's land values are concentrated within it. The availability of the

railway service radiating to all parts of the State — together with a concentration of other public utilities — contributes to produce this concentration of land values

61. From this Division the railway rate charge would be \$34,731,696, while the reductions in railway charges to users would total \$20,081,445, as shown in Table "B." Hence there would be a net increase of at least \$14,650,251 payable over the metropolitan area. A substantial part of the savings shown for inwards and outwards goods traffic for this division would be finally reaped by producers and consumers in the rural Divisions of the State, to and from which goods distribution is effected through the railways.

62. Nevertheless, the overwhelming majority of ratepayers who use the railway service within the Melbourne Division would make substantial savings under the two-part proposal, with the reduction of freights and fares exceeding the rate contribution. This is illustrated below with a typical example, for suburban passenger fares which account for more than 60 per cent of the rail revenue from Melbourne Division. From East Malvern to Melbourne the annual outlay for a passenger weekly-ticket user totals \$140. The average current rateable unimproved value of home-sites over the metropolitan area was \$4,000. The economic comparison results:

Annual outlay is	Present (1-part) charging basis	Proposed (2-part) charging basis
Passenger fares	\$140.00	\$100.00
Railway rate	0	30.40
Total cost	\$140.00	\$130.40
Less income tax rebate on tax-deductible railway rate	0	\$ 10.13*
Net cost	\$140.00	\$120.27
	Saving -	\$ 19.73

* Varies with income assumed at one-third.

(If more than one occupant of the house travels by rail the savings would be greater at the rate of \$40 annually for each additional rail user, since the railway rate is payable once only on the property irrespective of the number of users).

From this comparison it is clear that the proposed change in the basis of railway charges would provide a powerful economic incentive to many potential customers to travel by rail instead of private motor cars.

63. The potential reductions in railway charges are available to all property holders but can be actually reaped only by using the railway services. The land rate charge being a fixed commitment whether the particular owner uses the service or not, it will provide an incentive to him to put his holding to a productive use involving increased usage of the railway system. The lower charges to customers will help to make economic propositions of uses previously only marginal. The result would be to the advantage of the individual owner, the community, and financially to the Railways Department which could get greater returns from sections now contributing little traffic.

64. While this is applicable to all parts of the State it is of particular force within the Melbourne statistical division, where a great deal of land is held vacant or inadequately used, in expectation of appreciation in value with extension of the urban areas. There are 191,000 holdings of vacant land within the Melbourne Division, forming 17.3 per cent of its total holdings. Of them 106,000 are located within the 40 cities comprising Greater Melbourne. The other 85,000 vacant land holdings are in the 13 shires included in the Melbourne Division and form one-third of their total holdings. In addition, many thousands of sites within the metropolitan area are occupied by buildings that are an under-development of their potential. Such holdings are at present contributing practically NIL to railways revenue while the availability of its services is capitalised into the land price.

65. Effect of tax-deductibility of the rate charge.

A factor of great importance is that the railway rate charge on land values **would be a deductible item for income tax purposes** but charges for freights and fares are not. While freight charges are deductible costs to business operators in computing taxable income passenger fares are paid almost exclusively by ordinary citizens commuting to their place of work or shopping and are not tax deductible. Its importance in economic comparisons is

shown in the example in the paragraph 62 above. The extent of the tax-saving through deductibility varies with differences in income but usually ranges between one-quarter and one-half of the amount paid as a land value rate.

66. Effect on decentralisation.

Examination of the distribution of the goods and livestock outwards revenue figures in column (5) of Table "B" in the Appendix shows that the present railways charging basis is a major cause in the trend to centralisation of industry and population in the metropolitan area at the expense of the country. It is seen that 80 per cent of the State total of such revenue comes from the country divisions and only 20 per cent from the Melbourne Division.

67. Being on a ton-mile basis the charges inevitably work to lower transport costs in the vicinity of Melbourne and raise them in the rural areas. The Mallee and Gippsland divisions being the most remote are the most handicapped by them. This distribution carries the implicit assumption that the railways mainly exist for these rural areas and they should bear the major share of the costs even though it puts them at a competitive disadvantage in seeking development. The truth is that the metropolitan area is the main beneficiary

from the railways and other developmental works. This is reflected in the concentration of land values in Melbourne, as compared with the rural areas, to which attention was drawn in paragraph 16.

68. The 2-part charging basis proposal with its rate on land values would not completely remove the freight and fare disabilities of the rural areas in relation to the metropolis but would go far in that direction. The substantial extent to which it would reduce these burdens is shown for each division in the summary in paragraph 53 and in more detail in Table "B" of the Appendix. **It would give practical encouragement to decentralisation by reducing the economic disabilities linked with it by more than \$9,000,000 annually.**

69. Curbing inflation of land price.

The railway rate on land values would have an additional merit of putting a brake on the escalation of land price which is now putting home purchase beyond the means of ordinary citizens. Currency debasement and inflationary tax policies are diverting investment funds from productive channels into the sterile holding of land for appreciation. The rate charge would make it less profitable to hold land under-developed and so make it available more cheaply to genuine users

(7) HOW TO LEVY THE RAILWAYS TRANSPORT RATE

70. For some years now local government councils in Victoria have been required to take out the unimproved capital values of all properties when making revaluations. It has been the intention that the municipal council valuations will be used by all land taxing and rating authorities for their purposes. All but 25 councils have now completed their unimproved capital valuations and most of those outstanding will be completed this year. For any remaining incomplete, until the final figures are available, the unimproved value in their case could be deemed to be 10 times their current rateable net annual value

71. It would be practicable for the Victorian Railways Department to arrange to be supplied with the valuation figures of each rateable property from municipal councils and send out their own assessments. Provision exists for such information to be supplied to

other rating authorities by the councils concerned, at a fee covering part of their valuation costs.

72. Alternatively, it would be practicable and probably preferable for the councils to do it for the Department, including it with their own rate under the precept system and paying the proceeds over to the party nominated to receive them (less a small percentage to cover their costs). This arrangement is followed with the Dandenong Valley Authority

73. However, the Victorian Railways Department is not the only public body whose works are essentially developmental so far as the State is concerned. Others such as tramways, gas, electricity and irrigation authorities would also have claims to have part of their costs covered by a rate charge on the unimproved value of the land