

# HOW SITE-VALUE RATING WOULD AFFECT MORWELL SHIRE

A SURVEY MADE BY THE LAND VALUES RESEARCH GROUP

## Land Values Research Group

For the collection, analysis and distribution of information upon the incidence and effects of public charges upon land values:

### HON. RESEARCH PANEL

G. A. BAKER	B.C.E., A.M.I.E.Aust.
F. O. BARNETT	M.Com., F.C.A.Aust.
D. L. BARTHOLOMEW	B.A., Dip. Ed.
H. E. BARTLETT	A.R.I.B.A.
L. M. DONNELLY	A.F.I.A.
F. DOOLAN	M.V.I.S., M.C.I.V.
G. A. FORSTER	B.Sc.
S. S. GILCHRIST	B.Sc.
R. H. GLADMAN	A.C.I.V.
W. E. GOWER	F.R.V.I.A., A.R.A.I.A.
K. N. GRIGG	M.B., B.S.
E. F. HALKYARD	B.Sc., Dip. Ed.
A. N. HAMBLY	M.Sc., F.A.C.I.
A. R. HUTCHINSON	B.Sc., A.M.I.E.Aust.
D. W. JOHNS	A.R.E.I.
C. G. MACKAY	B.M.E.
E. K. MACKAY	A.R.I.B.A.
S. MERRIFIELD	L.S., M.V.I.S.
B. B. MORRIS	M.A.
L. M. PERROTT	F.R.I.B.A.
E. R. PITT	B.A., F.L.A.
C. H. RICHARDSON	B.E.E., A.M.I.E.Aust.
A. G. SANDOW	B.E., A.M.I.E.Aust.
L. E. STEVENS	B.Met.E., B.Ed.
W. H. TAYLOR	M.C.E., A.M.I.C.E., A.M.I.E.Aust.
N. A. WIGMORE	L.S., A.C.I.V.

### HON. RESEARCH DIRECTOR

A. R. HUTCHINSON, B.Sc., A.M.I.E.Aust.  
32 Allison Avenue, Glen Iris, S.E.6.  
Phone BL 1372

### HON. SECRETARY

L. F. BAWDEN  
52 Guildford Road, Surrey Hills, E.10, Victoria  
Phone WF 2973

### HON. TREASURER

G. A. FORSTER, Dip. Com., A.I.C.A.  
8 Leura Street, Surrey Hills, E.10, Victoria

Morwell Shire covers 259 square miles in the Latrobe Valley, the township of the same name being 89 miles distant from Melbourne. Morwell township is the main populated centre with approximately 10,000 of the total 14,000. The Shire is almost unique in its combination of heavy industrial, residential and farming interests. Within it are situated the Morwell works of the State Electricity Commission, the Lurgi plant of the Gas & Fuel Corporation, and the Australian Paper Manufacturers Mill. Of these the first is exempt from rates; the second is required by law to be rated on the Nett Annual Value basis; and the last a private undertaking rateable according to the system currently used by the municipal council.

A referendum was taken in 1956 to decide whether the rating system should be changed from the Nett Annual Value to the Site-Value basis. The valuation details for each property were extracted and this survey commenced to provide factual information on the incidence of the alternative rating systems in the Shire.

Results for the West Riding only were available before the poll taken on August 25th, 1956. Those for the whole Shire were not complete till the end of November, 1956. The full results are set out in the following report.

### Balance Sheets

With this report two separate balance sheets are given showing the total valuations and rates payable under the alternative rating systems upon houses, farms, business properties and vacant land holdings.

Balance Sheet (A) is that using the common site-value rate to all properties. The second Balance Sheet (B) is that using the lower "farm rate" as compared with that to other types of property.

### Price 9d.

Special bulk rates to Progress and other Associations for general distribution on application.

## MORWELL SHIRE

### Balance Sheet of Increases and Reductions in Rates Payable upon Change of Rating System from Nett Annual Value to Unimproved Capital Value Basis.

Type of Property	Valuations					General Rates Payable				Average Reduction (Per Cent)
	Numbers of Properties and System with Lowest Rates	Site- Value (U.C.V.) £	Buildings & Other Impvmts. £	Annual Value (N.A.V.) £	Site- Value (U.C.V.) £	Annual Value (N.A.V.) £	U.C.V. Lower By £	N.A.V. Lower By £		
<b>BALANCE SHEET (A) — WITH NORMAL U.C.V. RATE</b>										
<b>HOUSES</b>										
Other than Farm	2,596	842,840	3,966,003	240,264	26,582	48,053	21,471	1,782		45%
" "	275	176,162	203,455	18,870	5,556	3,774			32%	
<b>FARMS</b>										
With Houses	194	114,768	468,822	25,890	3,619	5,178	1,559	9,346	30%	
" "	290	866,202	941,022	89,873	27,320	17,974		6,540	35%	
No Houses	292	436,354	285,056	36,112	13,762	7,222			49%	
<b>BUSINESS &amp; OTHER BUILDINGS</b>										
" "	100	232,576	1,522,667	97,418	7,340	19,484	12,144	7,004	62%	
" "	120	495,771	479,219	43,666	13,737	8,733		10,662	44%	
" "	1,238	499,508	13,966	25,458	15,754	5,962			67%	
<b>VACANT LAND</b>										
" "	2,982	1,190,184	5,898,432	363,572	37,541	72,715	35,174	35,334	48%	
" "	2,123	2,473,397	1,924,738	213,979	78,139	42,795			45%	
<b>TOTALS</b>										
Other than Farm	2,474	783,795	3,822,952	230,075	29,865	46,015	16,150	3,197	35%	
" "	397	235,207	343,006	29,059	9,009	5,812			35%	
<b>FARMS</b>										
With Houses	356	536,403	1,021,024	77,026	11,287	15,405	4,118	1,607	27%	
" "	128	444,567	329,820	38,737	9,354	7,747			17%	
No Houses	49	61,447	81,137	7,113	1,292	1,423	131	2,089	10%	
" "	243	374,907	203,899	28,999	7,888	5,799			27%	
<b>BUSINESS &amp; OTHER BUILDINGS</b>										
" "	89	210,292	1,465,281	93,435	8,019	18,657	10,668	10,221	57%	
" "	131	518,655	536,605	47,649	19,751	9,530		13,952	51%	
" "	1,238	499,508	13,986	25,458	19,044	5,092			73%	
<b>TOTALS</b>										
Other than Farm	2,968	1,591,937	6,390,314	407,649	50,463	81,530	31,067	31,066	38%	
" "	2,137	2,072,244	1,432,916	169,902	65,046	33,960			47%	

Rates per £ used above: (A) N.A.V. @ 4/- per £      U.C.V. @ 7.57d. per £  
 (B) N.A.V. @ 4/- per £      U.C.V. @ 5.05d. per £ (farm rate) and 9.15d. per £ (other than farms)

# HOW SITE-VALUE RATING WOULD AFFECT MORWELL SHIRE

## VALUATIONS

There were 5,242 rateable assessments covered by the survey with approximately 480 non-rateable properties (mainly owned by the State Electricity Commission).

The overall valuation figures for the Shire were: Unimproved Capital Value of the land (i.e. its site-value), £3,664,181; Capital Improved Value of land plus improvements, £11,487,411; value of buildings, cultivation and other improvements, £7,823,230; and Nett Annual Value, £577,551.

### Equivalent Rates per £ One Common Rate

A rate of 7.57 d. per £ of Unimproved Capital Value would yield the same total revenue to the Shire as the current rate at 4/- per £ of Nett Annual Value.

### Lower "Farm Rate"

Councils have optional powers to apply a lower rate to farms than to other properties.

A "farm rate" at 5.05d per £ (i.e. two-thirds of the normal U.C.V. rate) would benefit in lower rates under the site-value basis approximately the same proportion of farms with houses upon them as for houses in the township area.

Such lower "farm rate" would necessitate an increase in the rate upon properties other than farms to 9.15d. per £ of U.C.V. to maintain the total revenue over the Shire equivalent to an overall rate of 4/- per £ of N.A.V.

The Balance Sheets forming part of this report are worked out separately using the common rate to all properties and the lower "farm rate" as above respectively.

## THE OVERALL EFFECTS OF CHANGE

The rateable properties comprised 2,871 township and 484 farm dwellings, 220 business or other buildings, and 1,530 vacant land holdings. Each of these groups is dealt with in a separate section of this report. The overall position for Morwell Shire is summarized in the following table:

Of the 2,123 properties carrying lower rates under N.A.V. 1,530 are vacant land. Excluding these and confining comparison only to holdings with buildings of some kind upon them, 2,892 would benefit in lower rates under the site-value basis to only 593 carry-

ing lower rates under N.A.V. The proportion benefiting under site-value is thus 83 per cent.

Item	Group A	Group B
	Rates least under U.C.V.	Rates least under N.A.V.
Number of Properties . . . . .	2,982	2,123
Proportion of Total (%) . . . . .	58	42
Site-Values (£) . . . . .	1,190,184	2,473,997
Value of Improvements (£) . . . . .	5,898,492	1,924,738
Nett Annual Values (£) . . . . .	363,572	213,979
Improvements to Tot. (%) . . . . .	84	43
Rates Payable U.C.V. (£) . . . . .	37,541	78,139
Rates Payable N.A.V. (£) . . . . .	72,715	42,795

### Prosperity Depends on Improvements

The present and continued prosperity of the Shire depends upon the extent of capital outlay by its citizens in buildings and other improvements upon their holdings. Ability to provide local employment and to sustain increasing population with rising living standards is dependent upon multiplication of such improvements.

The summary above shows that use of Nett Annual Value rating to distribute municipal costs cuts right across public interest by charging those making such improvements many times the amount they would pay if their sites were left and undeveloped.

Under N.A.V. the well developed properties in Group A are charged six times and those in the less developed Group B charged twice the rates payable if the improvements had not been made.

### Extent of Burden on Improvements

Of the total of approximately £115,500 in general rates leviable under the N.A.V. basis £78,000 falls on the value of improvements and only £37,500 on the value of the sites. This is a substantial annual burden imposed directly upon the building construction industries and the business community generally. It has important influence in directing investment of money into the sterile holding of under-developed properties instead of the beneficial investment into buildings, plant, cultivation and other improvements.

### Redistribution of Rates

Under the site-value basis rates on Group A properties would be reduced by approximately £35,300 while those in Group B would be increased a corresponding amount.

The position of each of the classifications houses, farms, vacant land and business properties is considered below in greater detail,

## HOW THE FOUR TYPES OF PROPERTY FARE

### 1. DWELLINGS

Pre-eminently the merits of the rating systems may be judged by their treatment of the homes of the citizens. In Morwell properties with houses cover 93 per cent of all other than vacant land holdings.

Of the total 2,871 houses other than farms 2,596 (90%) would carry lower rates under the common site value rate and only 275 would carry increased rates. The reductions to the majority would total £21,471. The average rates would be reduced from £18/10/3 down to £10/4/9 under the site value basis.

For the minority of 275 which would carry increases the total extra amount would be £1,782. The average rates for these would be increased from £13/14/6 under N.A.V. to £20/4/- under site-value rating.

Average value of houses which would pay more under site-value rating is only £689 compared to £1,510 for the majority group. They are therefore sub-standard in quality. On the other hand their site-values average £640 compared with £322 for normal homes indicating double the normal frontage or that the land has business value.

**It is evident that almost all normal frontage homes in Morwell would carry lower rates under the site-value basis. Those which would not are in most cases abnormally large or valuable frontages or normal frontage but sub-standard quality.**

Adoption of a lower "farm rate" would increase the rate upon other properties to maintain Council revenue. This would not appreciably alter the position for houses except to slightly reduce the margin of saving under site-value rating from an average reduction of 45% with a common rate down to 35% with the "farm rate". As seen from Balance Sheet (B) the numbers carrying lower rates under site-value rating would be reduced by 122 but the proportion of the total houses so benefiting would remain very high at 85 per cent.

### Housing Commission Homes

Morwell is almost unique in that its rapid growth is due to public policy in development of the coal resources of the Latrobe Valley. This would not have been possible without provision of housing on a major scale by the Victorian Housing Commission. There were

1,313 Housing Commission Homes compared to 1,558 private houses (excluding farm houses).

Of the Housing Commission homes 1,281 (98%) would have carried lower rates under the site-value basis. The valuations over the 1,313 Housing Commission homes were: Sites, £409,480; buildings, £2,085,209; annual values £124,883. On these the rates payable were: £12,914 under U.C.V. @ 7.57d.; £24,976 under N.A.V. @ 4/-. Rate saving under U.C.V. would be £12,062.

To arrive at the nett saving over the whole Housing Commission Settlement increases payable on vacant land owned by the Commission must be offset against these savings on houses. There were 535 assessments of vacant land owned by the Commission with total site-value of £145,238. On these, rates would increase from £1,545 under N.A.V. to £4,581 under U.C.V., an increase of £3,036. The overall reduction in rates for the settlement as a whole would be £9,026 after offsetting increases on vacant land against savings on houses. This gives an average nett saving per house of £6/17/6 on the general rate equal to a reduction of 2/8d. per week in rental. With water and sewerage rates also on site-value basis the possible reduction in rental due to lower rates would be 4/4d. per week.

### Effect on House Rents

The Morwell rating poll in 1956 was lost by 188 votes in a total of 4,334 simply because only about 10% of the Housing Commission tenants voted. The reason for this was their belief that they were not interested as tenants because reductions in rates would not be passed on to them by the Commission in reduced rents.

This belief was unsound for it has been announced that Government policy now is that Housing Commission rentals be adjusted in accordance with substantial changes in rates. This is mainly in contemplation of increases foreseen but the principle is equally applicable to reductions.

However, even if actual reductions were not made in present rentals the reductions in rates on Commission homes (or private rented ones) would reduce the pressure towards **increased rents** as N.A.V. rates rise with the continuous inflation of currency. Lower rates on rented homes would help stave off increases in rents otherwise inevitable.

## Details of Farms with Dwellings

Items	FARMS WITH RATES LOWER UNDER:		
	U.C.V. Normal Rate (1)	U.C.V. "Farm Rate" (2)	Nett Annual Value (3)
<b>GROUP TOTALS</b>			
Number of Farms	194	162	128
Area in Acres	25,527	20,686	21,591
Nett Annual Value (£)	25,890	51,136	38,737
Value of Sites (U.C.V.) (£)	114,768	421,635	444,567
Value Buildings & Cultivation (£)	409,822	611,202	329,820
Value Buildings/value Sites (£)	3.56	1.47	0.74
Rates under N.A.V. (£)	5,178	10,227	7,747
Rates under U.C.V. "farm rate" (£)	2,470	8,817	9,354
Rate saving U.C.V. "farm rate" (£)	2,708	1,410	Inc. 1,607
<b>AVERAGES PER FARM</b>			
Area in Acres	131	123	168
Nett Annual Value (£)	132	315	300
Value of Site (U.C.V.) (£)	590	2,620	3,460
Value of Buildings & Cultivation (£)	2,150	3,760	2,580
Rates under N.A.V. (£)	26	63	60
Rates under U.C.V. "farm rate" (£)	13	54	73
<b>DISTRIBUTION OF FARMS IN RIDINGS</b>			
West Riding	14	25	34
South Riding	138	48	33
Central Riding	42	88	56
East Riding	—	1	5

### 2. FARMS

There are 484 farms with dwellings upon them in the Shire. Of these 194 would carry lower rates under the site-value basis without a lower "farm rate" while 290 would carry increased rates.

With a "farm rate" two-thirds of the normal (i.e. 5.05d. per £) 356 farms (78% of the total) would carry lower rates under site-value and only 128 would carry increases. This proportion is comparable with that of normal houses benefited under site-value basis.

There are also 292 holdings without residences upon them but with minor improvements in fencing, clearing, etc., and used for farming purposes, mainly for grazing. Their total area is 33,956 acres with an average area of 113 acres per holding. This is approximately the same size as the average for Morwell farms with homestead upon the property. Most of these holdings are inadequately developed, being worked from a distance. Many would be better used to settle new farmers prepared to live upon and develop them. These properties would pay increased rates under site-value rating until better developed.

In the table above details are given for farms with dwellings thereon classified under three groups: (1) those benefiting in lower rates under the U.C.V. normal rate (i.e. without a lower "farm rate"); (2) those additional farms that would benefit under the

U.C.V. basis with a lower "farm rate"; (3) those still rated least under the N.A.V. basis even with a lower U.C.V. "farm rate".

The proportion of farms with dwellings paying less under the U.C.V. "farm rate" than under N.A.V. for the various ridings would be West (54%); South (84%); Central (69%).

The 292 holdings without residences thereon but used for farming have total annual-value £36,112; site-value £436,354; improvements valued at £285,056; N.A.V. rates £7,222; U.C.V. "farm rate" £9,180; average rates would be £24.8 N.A.V. and £31.4 U.C.V. "farm rate".

Three-quarters of the resident-farmers would make a combined saving of £4,118 under the U.C.V. "farm rate". The farms so benefited are the average and better-than-average-developed ones. Their rate savings would be made at the expense of the minority of poorly-developed farms (to extent of £1,697), land without a dwelling but used for grazing (to extent of £1,958) and vacant sub-divisional land for the balance.

### 3. VACANT LAND

Holdings of vacant land are the second largest group in Morwell the 1,238 such assessments forming 24% of all holdings. These exclude the 292 properties without buildings but used for grazing considered with the farms in the preceding section.

Vacant subdivisional land is the only class of property which invariably pays higher rates under site-value rating, since all such land is undeveloped. The savings gained by house-holders as a group under site-value rating are mainly at the expense of vacant land holdings. The extent of the rate-increases on such holdings is shown below and in the Balance Sheet.

Number of vacant land holdings . . . . .	1,238
Total Nett Annual Value . . . . .	£25,458
Total Site-Value . . . . .	£499,508
Total Value of Improvements . . . . .	—
Total N.A.V. Rates @ 4/- . . . . .	£5,092
Total U.C.V. Rates @ 7.57d. . . . .	£15,754
Total U.C.V. Rates @ 9.15d.* . . . .	£19,044
Average Rates N.A.V. . . . .	£4.1
Average Rates U.C.V. @ 7.57d. . . . .	£12.7
Average Rates U.C.V. @ 9.15d.* . . . .	£15.4

\* applicable if "farm rate" given.

On vacant land in Morwell site-value rates are 3.1 times those payable under nett annual value. This would increase to 3.7 times if a "farm rate" is given of the extent shown.

Of the 1,238 completely undeveloped holdings all but 60 are in the East and West Ridings and are mainly within the township area. The Housing Commission owns 535 with total site-value £145,238. On these, rates would increase from £1,545 under N.A.V. to £4,581 under U.C.V., the increase of £3,036 being offset against the reductions in rates on Housing Commission homes.

### Higher Rate Payments Appropriate

Municipal rates are supposed to be payments to cover costs of municipal services offered to property. These services and costs are identical for similar adjoining built and vacant land holdings. Hence the higher rate payments on vacant land under the site-value basis are appropriate. They put owners of both built and vacant land on a common footing. The increased rates payable on vacant sites enable the excessive charges on built lots to be reduced.

The average value of site for the homes benefited under U.C.V. is £325. The average N.A.V. rate upon such built lots is £18/10/-. Such an unbuilt lot would pay £3/4/- under N.A.V.

Holding land undeveloped is not a virtue justifying payment of rates only one-sixth of those charged on homes offered the same municipal service. Vacant lots actually increase costs to owners of built properties by causing premature extension of municipal services to outer areas because home-seekers must pass by suitable fully serviced vacant lots held for speculative prices. Vacant land

contributes nothing to the development of the district or the State for it uses up no materials hence gives no demand for labor or the products of labor.

## 4. BUSINESS AND INDUSTRIAL

Properties other than dwellings, farms and vacant land have been considered as a group. They are small in numbers but important as they include business and industrial properties. The overall position as a group is given in the Balance Sheet. The main types of such properties are given in detail in the table on the opposite page.

With each type those with buildings valued at more than 2.1 times value of their sites benefit in lower rates under U.C.V. while those less-improved pay less under N.A.V.

### Business Properties

Business properties other than industrial are nearly balanced in numbers in Morwell but as a group would pay more under site-value rating by approximately £5,000. This is insignificant compared to the increased turnover to retail traders to be expected both immediately and with future growth following exemption of buildings from rates. Most of the rate savings of house-holders as a group totalling £15,500 under site-value rating will be spent with Morwell shops.

Further, experience elsewhere is that the scale of private building construction expands rapidly with exemption of buildings and other improvements from rates. Generally there is a doubling in value of building activity within two years of making the rating change. Private homes commenced in Morwell during 1956 were valued at £298,000. A rapid increase could be expected to a level approximately double this figure annually. Increased outlay through the building construction industries is mainly distributed through the business community in purchases of materials or consumer goods.

Retail business also benefits in increased turnover through attraction of new industries. As shown in the following section rural municipalities rating site-value have increased employment in their industries over the last nine years at a rate of 13 per cent annually compared to the State average of 4%. Similar expansion in Morwell under site-value rating could mean an extra £135,000 annually distributed in wages and salaries above that to be expected under N.A.V. rating.



## OPPORTUNITIES FOR LOCAL EMPLOYMENT

In common with other Latrobe Valley Townships Morwell faces serious problems due to unbalanced development. Government policy has established the State Electricity Commission and Gas & Fuel Corporation undertakings in the area. But there is lack of numbers and variety of other industries with opportunities for employment of their growing families. This results that homes must be broken up and boys and girls go to capital cities. Site-value rating could provide the answer to this problem by removing one major barrier to successful establishment of rural industries with local employment.

It is noteworthy that the six provincial municipalities operating under site-value rating since 1948 or earlier have all shown balanced growth. These are Dandenong, Portland, Hamilton, Echuca, Rosedale and Yea. Each of these has attracted new industries, increased employment and the amount distributed in wages and salaries at a much greater rate than the State average over the nine-year period 1945/46 to 1954/55. Each shows more rapid growth than the Latrobe Valley municipalities — Morwell-Yallourn, Warragul, Narracan (Moe), and Traralgon. Their relative growth is seen from the table below.

### Factory Development Statistics \* Nine Year Period 1945/46 to 1954/55

	NUMBER OF FACTORIES			NUMBER OF EMPLOYEES		
	1945/46	1954/55	Increase %	1945/46	1954/55	Increase %
<b>PROVINCIAL COUNCILS</b>						
<b>RATING SITE-VALUE</b>						
DANDENONG SHIRE . . . . .	47	147	(114)	1,633	3,035	( 86)
HAMILTON CITY . . . . .	47	75	( 60)	332	605	( 80)
PORTLAND TOWN . . . . .	17	38	(125)	102	733	(610)
ICHUCA BOROUGH . . . . .	32	51	( 60)	199	564	(183)
ROSEDALE SHIRE . . . . .	6	12	(100)	28	60	(114)
YEA SHIRE . . . . .	11	18	( 64)	75	139	( 86)
TOTALS . . . . .	160	341	(113)	2,369	5,136	(117)
<b>LATROBE VALLEY COUNCILS</b>						
<b>RATING NETT ANNUAL VALUE</b>						
†MORWELL-YALLOURN . . . . .	22	48	(116)	2,076	2,927	( 42)
‡NARRACAN (MOE) SHIRE . . . . .	45	69	( 55)	479	582	( 22)
‡TRARALGON SHIRE . . . . .	34	42	( 24)	226	457	(102)
‡WARRAGUL SHIRE . . . . .	25	34	( 36)	361	405	( 12)
TOTALS . . . . .	126	193	( 53)	3,142	4,371	( 39)
<b>TOTALS FOR VICTORIA OVER ALL COUNCILS</b>	10,195	15,861	( 56)	256,243	346,648	( 35)

NOTE: \* "Factory" in the above statistics means any industrial establishment in which four or more hands are employed or in which power other than hand is used.

† Morwell and Yallourn combined (although the latter is not rateable) because their statistics are not separable in records for 1945/46.

‡ Figures are for Narracan Shire before separation as the Borough of Moe.

### Balanced Growth

The greater development of local industry in the site-value rating municipalities above is simply part of the pattern of balanced growth to be expected with exemption of buildings from rates. It is accompanied by housing and business development. Many of the new or expanded industries are directly related to the step-up in the level of building construction activity under the site-value basis. The development in Portland is significant since that council over the years

has publicised its exemption from rates on outlay in buildings as an inducement to attract new industries. Site-value rating does not guarantee establishment of new industries but it assists by (a) enabling land to be purchased cheaper than under N.A.V. (b) freeing the industry from crippling rates which could make it uneconomic. (c) increasing availability of local funds for industry in lieu of sterile investment in vacant land.