

Submission to the Local Government Advisory Board by the
General Council for Rating Reform in support of the City
of Newtown in its opposition to the proposed union with the
Cities of Geelong and Geelong West.

1. My name is Allan Robert Hutchinson, Of 32 Allison Avenue, Glen Iris, in the City of Camberwell. I am a Chartered Engineer and Research Consultant.
2. I am a Vice-President of the General Council for Rating Reform whose objective is the retention and extension of rating on the unimproved capital value of the land or the site value as it will be known in the near future.
3. The opposition of the General Council for Rating Reform to the proposal for union of Geelong, Geelong West and Newtown is limited to the very important matter of the rating system which would apply to the proposed extended city after unification.
4. Since 1920 Newtown has used the unimproved capital value rating basis under which homes and other improvements made by owners are completely free from penalty through the rating system. By contrast, Geelong and Geelong West have continued to use the net annual value basis under which the major part of the rate charge falls upon the value of owners' improvements.
5. Section 328 (2) of the Local Government Act provides that where municipalities with different rating bases are united the system to be used in the united area shall be agreed between them, or, in the absence of agreement, be the net annual value basis.
6. As Geelong and Geelong West have not yet shown interest in changing to the unimproved value basis it seems that union of Newtown with the other two would result that it would be compelled to return to the net annual value basis which it deliberately discarded 49 years ago.
7. Even if the new alternative of rating partly on unimproved value/ partly net annual value were adopted over the amalgamated area, this would still penalize improvements and subsidise decadence. It would be against the interests of the citizens of Newtown and vitiate the harmony and general satisfaction which should be one of the ends sought in any natural union of municipalities.
8. We show from factual analysis of the Newtown Voters' Rolls and other data that the effects of return to rating of buildings and other improvements in Newtown would be harmful and tend to create again the blighted areas which existed in a large part of the Chilwell section when the change was first made to un-tax improvements.
9. By roll analysis we have found the numbers of homes and other types of property benefited by the respective rating systems. We have then made a special study of the magnitude of the penalty effect of the one system as compared with the other. We have done this in particular detail for single homes which embrace 90 per cent of all the rateable properties.
10. The means adopted for both these purposes has been to analyse each entry on the rolls and classify it under whichever of a number of columns is appropriate to the figure obtained by dividing the UCV by the NAV figure shown on the roll for the property considered. The ratio of UCV/NAV at which rates are the same under either system was 7.0 at the time of last valuation. Entries where the UCV/NAV figure was 6.9 or less would be penalised by change to NAV. Those where the UCV/NAV figure was 7.1 or more would be subsidised by change to NAV. Those between 6.6 to 7.3 are treated as approximately the same under either basis since the rates would be up or down only by amounts ranging from 0 to 5 percent. Such properties are however, to be counted in the group benefited by the UCV basis. Although the immediate rate differential is negligible with change to NAV the owners would lose their present UCV immunity against rate increases as they make maintenance renovations or alterations and additions. Their interests are therefore clearly with the UCV basis.
11. In the roll analysis the first 25 percent of the roll entries were analysed completely for all properties. This was sufficient for reliable results for homes alone not tied to other property. For all other types of properties complete analysis was made of all such entries these being fewer than with homes. Where several persons appear on the roll for the same property only the first appearance was counted so that results apply to the number of properties and not of the voters.

12. Results of the roll analysis.

Class of Property	Benefit by UCV.			Benefit by NAV
	Saving	Same	Total	Saving
Single Home only	1,500	437	1,937 (56%)	1,531 (44%)
Commercial & Industrial	66	12	78 (71%)	32 (29%)
House & Land	12	4	16 (39%)	25 (61%)
Multiple improved	24	6	30 (58%)	22 (42%)
Land only	-	-	-	131 (100%)
	1,602	459	2,061 (55%)	1,741 (45%)

13. This table shows that a majority of the homes and business properties are benefited under the present UCV basis. On the other hand the holdings of vacant land only would in all cases be subsidised by change to rating of improvements. And the category where a householder holds vacant land in addition would, in a majority of cases, be subsidised in lower rates by such a change to the NAV basis.
14. Broadly, by the nature of the differences between the systems, the numbers of properties benefited under the UCV basis as tabulated above are those improved to the average degree of the city or better. On the other hand, those benefited in lower rates under the NAV basis would in all categories be the properties of sub-average improvement. The well-improved group comprises the new buildings and those older buildings whose condition has been maintained. Under a change to NAV rating they would be required to subsidise the sub-average properties.
15. The numerical incidence thus disclosed under the NAV basis is clearly against the immediate and long term interests of the city. Those interests require that citizens be stimulated to undertake new building, renovations and maintenance to maintain the rateable value of property at a maximum. The change to NAV would penalise improvement and subsidise obsolescence. It would be particularly intolerable to people such as the ratepayers of Newtown who have had the benefits of un-taxed improvements for nearly half a century.
16. So far we have discussed the numbers of various types of properties as they would be affected by a change to NAV rating for Newtown. We now come to the magnitude of the penalties or subsidies involved. In most respects these are more important than the numbers involved. A majority of properties could be benefited by one system but to an insignificant extent. It is therefore essential to look at the magnitude of the penalties involved.
17. The graph marked "A" shows the magnitude of the penalty effect of one rating system as against the other for Newtown. The vertical sides of the black rectangle show the range in the percentage of the penalty represented by the increased NAV rates as compared with the UCV rate corresponding to the range in the base of the rectangle on the scale below. For example in the second black rectangle the NAV penalty ranges between 246% to 131% for properties whose numbers obtained by dividing their UCV by NAV range between 2.0 and 2.9. Similarly, the shaded rectangles show the magnitude of the penalty effect of UCV compared with NAV in ranges.
18. It has been the objective to find out how many properties are embraced within the limits of these rectangles especially with housing properties. But before looking at the quantities linked with the penalties your attention is invited to the form of the graph itself. This in itself can help us decide whether the incidence shown is good or harmful.
19. Up to a magnitude of penalty of 131% there are five sets of rectangles on either side which have corresponding magnitude of penalty under either system even though the numbers involved in them will differ. Beyond that the penalty effects of the NAV and UCV bases are not matched.
20. Your attention is particularly drawn to the fact that under the UCV basis there is a limit to the rate penalty borne by even the least improved property. Vacant land is the least improved type of property and in Newtown the limit penalty is fixed at 188% above the NAV rate payable on that vacant land.
21. By contrast under the NAV basis there is no natural limit to the percentage penalty imposed on well-improved properties. The only limitation is in the practical possibility of concentrating improvements on a particular site. Although the top penalty of NAV in the upper black rectangle

is shown as 432% this is simply the highest penalty which we came across in our roll analysis of housing properties.

- 22. The NAV rating basis is seen from this graph to be regressive in its nature. Its severity increases exponentially (not just a straight line slope) as the degree of improvement rises above the average level for the city.
- 23. All but the two lowest of the black rectangles embrace the new buildings constructed in the postwar period. It is such buildings which everyone agrees should be encouraged. By contrast, the shaded rectangles apply to the buildings in various stages of age and decay. These are the buildings which are reaching the end of their useful life and will soon have to be pulled down and rebuilt. Net annual value rating would work to penalise the types of building activity upon multiplication of which the whole city depends. It would subsidise the decadent buildings which everybody wants to see replaced by new ones. It would thus work against the common good at both ends.
- 24. The graph itself would apply to all types of property in Newtown. The most numerous and important to consider is that of the homes in which the ratepayers live. For these we show the numbers in brackets against the appropriate rectangles on the graph.
- 25. From this it is seen that there are 92 homes which under NAV would be subjected to penalties ranging from 131 to 432%. This compared with only 44 now penalised by UCV. The 92 are new buildings while the 44 are in the last stages of decadence or under-development. It should be noted that the 16 homes which would be subjected to the highest penalties of all are single homes in the West Ward. They are NOT flats.

In the table below we show the numbers of homes penalized in excess of various percentages under NAV and UCV respectively.

NEWTOWN CITY HOMES

Magnitude of penalty under NAV	Number of Homes penalised by NAV	Number of Homes penalised by UCV	Magnitude of penalty under UCV
Over 246%	16	0	Over 246%
" 131%	92	44	" 131%
" 73%	216	100	" 73%
" 38%	536	440	" 38%
" 15%	1044	1148	" 15%
" 5%	1500	1531	" 5%
Under 5%	437		Under 5%

- 27. The incidence of NAV rating as shown here is the direct opposite to what the interest of the city requires. It penalises the new building development upon which the city depends if it is not to become a run-down and blighted area. It subsidises the decadent properties increasingly heavily as they are allowed to fall to bits, with the maximum subsidy as they are pulled down and become vacant lots. Their rates then would be only a little more than one-third of those now payable under UCV.
- 28. It should be explained that although the graph and table shows UCV as penalising vacant lots and other under-developed holdings UCV does not directly penalise any class of property. It charges a rate based on the value of the site without regard to whether it is improved or not. The penalty is only relative as compared with the charge under NAV which in effect subsidises the under-developed properties.
- 29. Return to rating upon the value of improvements would have a damaging effect upon both the willingness and ability of Newtown ratepayers to undertake new buildings and renovations. In the knowledge that they would not be penalised with increased rates for doing it Newtown ratepayers have shown a greater willingness to rebuild, renovate and otherwise improve their properties than have the ratepayers of either Geelong or West Geelong. The willingness is aided by the fact that as new building does not result in higher rates there is more money left with those who are improvement minded to help them do it. This is reflected in the relative building permits for the three cities.

30. Evidence of this is found in the quarterly statistics of building permits issued by the Commonwealth Government Statist, from which the following figures for the totals of the six quarterly periods from December, 1967, to March 1969 are taken. The most significant comparators are permits for alterations and additions, and for new home construction. As the three cities are different in size and in the numbers of rateable properties they contain the building permit figures are reduced to a comparable basis of value per thousand rateable properties. The relative numbers of rateable properties in each are as follows :

Geelong	6,798
Geelong West	5,950
Newtown	3,850

31. Building Permits over six quarters December '67 to March '69.

Permits for	- Nos.	Totals Value \$	Value per thousand rateable properties. \$
<u>A. New homes</u>			
Geelong #	84#	629,000 #	92,500 #
Geelong West	71	416,000	69,900
Newtown	50	482,000	125,100
<u>B. Alterations & Additions</u>			
Geelong		330,000	48,500
Geelong West		172,000	28,900
Newtown		270,000	70,100

32. For new dwelling construction Newtown shows superiority over Geelong (34%) and over Geelong West (78%). But this understates the true superiority in this field over Geelong. There a substantial part of the total was for Housing Commission activity where that for Newtown and Geelong West is for private building#. It is significant that Newtown's policy of not taxing new building activity has enabled private enterprise to handle home construction without any appreciable Housing Commission activity over the years, whereas both Geelong and Geelong West have had substantial Housing Commission activity. Since June 1962 the units constructed by the Housing Commission in these respective cities to 30th. June, 1968, were : Newtown 16 ; Geelong 278 ; Geelong West 70.
33. For ' alterations and additions ' Newtown's value per thousand rateable properties is 45% greater than for Geelong, and 150% greater than for Geelong West. Newtown's superiority in permits for alterations and additions is clear-cut and shows the willingness to spend on improvements when the ratepayers know they won't be penalised for making them.
34. Newtown's achievement shows that it does not need to be merged with Geelong and Geelong West to remain a viable unit. It is already showing better performance in building construction activity than either of these other cities. This is the basic factor which determines the rating potential of any municipality and hence its capacity to continue as an independent entity. If permitted to continue its practice of rate-free improvements it can continue to show the superiority over the others evident in the building construction comparisons already made. On the other hand, the basis for its current achievement would be destroyed if its ratepayers are compelled to return to rating of improvements through the net annual value basis whether wholly or partly.
5. For these reasons we submit that Newtown should be excluded from the proposed amalgamation of Geelong municipalities.

A.R. Hutchinson, B.Sc., M.I.E. Aust.,
Vice President.

General Council for Rating Reform.

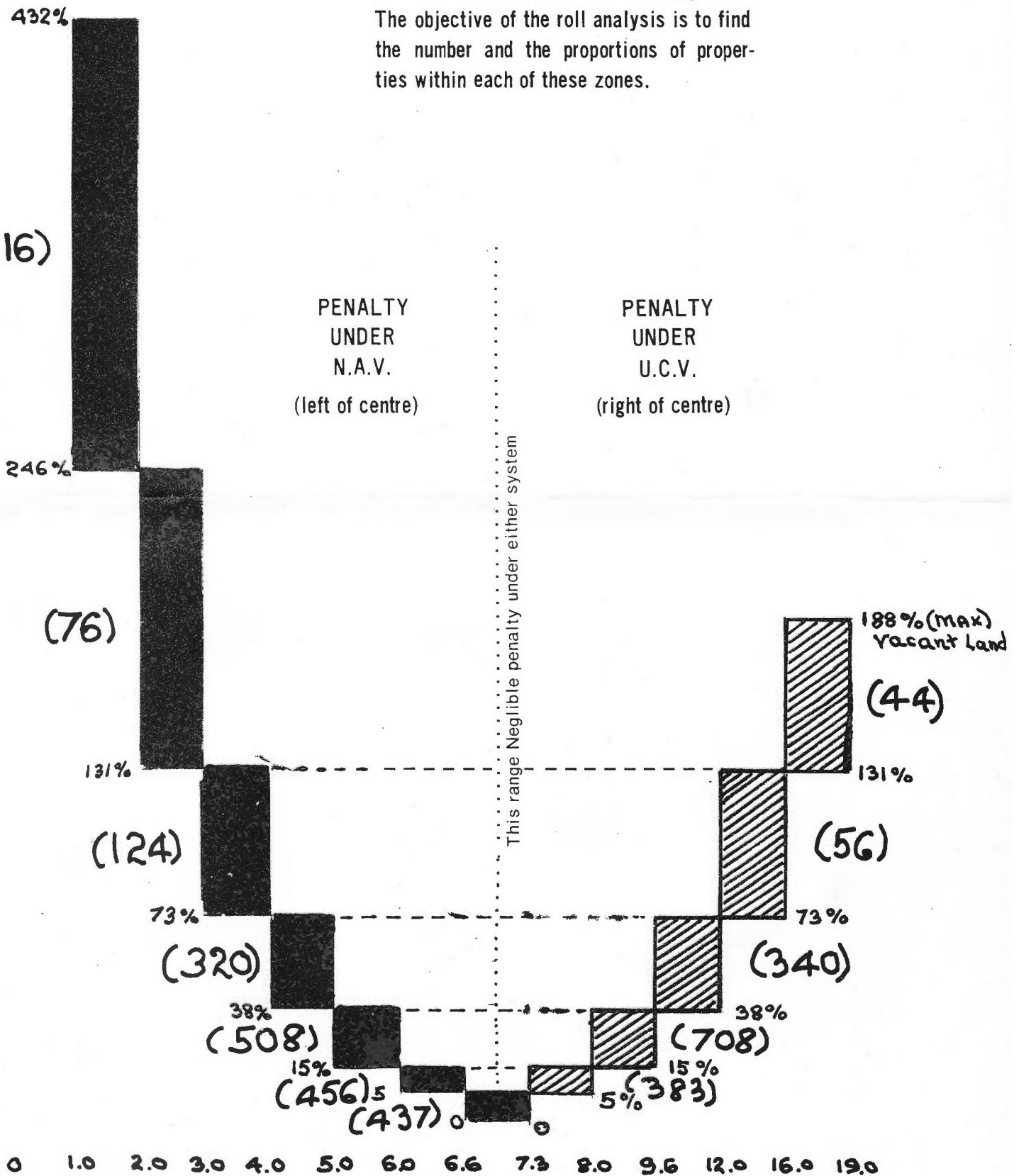
of Geelong figures above 55 homes of total value \$401,000 were for the Housing Commission and only 29 homes of total value \$228,000 for private building. Private building value per thousand rateable properties was thus only \$33,500 for comparison with Geelong West and Newtown. Newtown thus exceeds the Geelong figure for private building by 273% over the period.

NEWTOWN CITY

INCIDENCE OF RATE BASES

Showing the zones where the Percentage penalty in rates under the N.A.V. as compared with U.C.V. are the same magnitude. The objective of the roll analysis is to find the number and the proportions of properties within each of these zones.

THE PERCENTAGE PENALTY RANGES BETWEEN THE FIGURES AT BOTTOM AND TOP OF THE RECTANGLES



Whole Numbers obtained by dividing U.C.V. by N.A.V.

Nos. OF HOMES
(SHOWN IN BRACKETS)

↑ Mainly new properties middle age very old mainly ↑