

HOW SITE-VALUE RATING BENEFITS THE FARMER

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at the request of the Develop Victoria Council.

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The description "farmer" sometimes is used loosely as covering anyone who owns rural property. However, it is necessary to differentiate between the genuine farmer who lives and works upon his holding and those who simply hold rural property under-developed as an investment. The effects upon the two are dissimilar. The test of separation for the genuine farmer we take to be residence upon his holding. It is with the interests of such resident farmers that we are concerned.

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First Used in Rural Areas

That shifting the basis of local rating from the value of his buildings, cultivation and other farm improvements to the value of his site alone is to the advantage of the farmer is shown below.

In the first place site-value rating was first developed and applied to farming communities and only extended to towns and cities after its suitability for farmers had been demonstrated. It was first applied to the Shires of Queensland in 1887 specifically to ease the position of genuine farmers who were required by the net annual value basis to pay more than their own share of municipal costs to make up for the token payments of un-developed property holders. Its success in the shires led to its extension three years later to the towns.

In New South Wales it was first applied to the shires and later to the urban areas. In West Australia it was applied first to the Road Districts (equivalent to our Shires) in 1902. Only in 1948 were the 21 urban municipalities given optional powers to use it.

Site-value rating has since extended to become the dominant system in Australia. It is used in approximately two-thirds of all local government units. Those **using it comprise more than 92% of the municipalized area of the continent.** The fact that only 8% of total area has not yet changed over shows its appeal has been primarily to rural communities. Those rural parts of Victoria which have not yet changed over are among this small balance still taxing buildings and cultivation. There is no public demand in other States to return to that discarded system.

The three States of Queensland, New South Wales and West Australia apply site-value rating universally to farming properties. In South Australia, Victoria and Tasmania a minority only of rural areas use the site-value basis. Factual comparisons of development between these two groups as units show that the farmers generally are in a far sounder position in the site-value rating States which tax only potential than in those taxing actual development.

New Farms Established

In the land value rating States the price of land is kept at a lower level and speculation discouraged. This enables new farmers to buy land and have capital left to develop it. Hence it has been possible to extend the area under cultivation in the site-value rating States while land has been taken out of cultivation in the other States. Over the depression years 1930 to 1939 total acreage in the site-value rating States **increased** by 21%. That in the Nett Annual Value

rating States **decreased** by 8%. Each State in the site-value group showed increase while each in the other group showed decrease. Similarly in the post-war years 1947 to 1959 acreage cultivated in the site-value rating group increased by 35%. That of the N.A.V. rating group decreased by 1%.

Farmers' Economic Position Better

The farmers in the land value rating States have improved their economic position relatively and are better off than in the States where development is locally taxed. Comparing rural holdings of £5000 unimproved value upwards in the site-value rating group average value of improvements per holding was **40% greater than** value of the land. In the improvement-taxing States average value of improvements per holding was **39% less than** value of the land. Primary producers' incomes in the site-value rating group average 10% greater than in the annual rating group. Reasons for these effects can be seen more clearly by examining the differences in their principle and incidence.

Principles Compared

Under the N.A.V. basis part of the rates falls upon the value of the land and part upon the value of the improvements. Site-value rating **completely exempts from rates the landholders' own improvements** (i.e., farmhouse and other buildings, fencing, clearing, cultivation, sown grasses, dams, etc.). To maintain the same total revenue to the council the part falling on the raw value of the land is increased.

There is therefore a remission of rates on improvements offset by increased rates upon the raw value of the land. Whether the result is a nett saving or increase for a particular holding depends upon its degree of development compared to the average of the whole district.

A farmer living and working upon his holding usually has a substantial value in his improvements (farmhouse and other buildings, fencing, clearing, cultivation, sown grasses, dams, etc.). The majority of such farmers make a nett saving under U.C.V. on balance. They are encouraged to develop in the knowledge that any further development they make will be rate free.

Completely undeveloped holdings have no improvements to offset and invariably pay more under U.C.V. rating. Such holdings are often held as investments by absentee owners little concerned with their development. The higher rates merely put them on a common footing with those who are adequately developing their holdings. Under N.A.V. they escape with less than their fair share which results that those making adequate development have to pay more than their fair share.

How Individual Farms Fare

How individual properties are affected depends upon their degree of development compared to the average for the shire as a whole. Degree of development is the improved capital value divided by the unimproved capital value. Holdings developed more than the district average will pay less on U.C.V. Holdings developed **below** the district average will pay more.

Some people have the impression that removal of rates from improvements and increasing them upon sites will relieve owners of residential and industrial property at the expense of farmers. This impression is wrong. It is based on recognition of the higher density of improvements per acre in the towns without noticing these are accompanied by much higher unimproved land value than with farmlands. In towns land value is often more per foot than it is per acre in farms. This results that the degree of development for resident-farmers in the distinctly rural area is about the same as for residential properties in the towns.

SUMMARY

Advantages of Site-Value Rating to Farmers who live and work upon their holdings are:

- (1) The great majority of farmers pay less in rates than under net annual value;
- (2) They frequently find the saving on their home-stead-holding sufficient to cover the rate payments on extra holdings used in conjunction and are able to use more land without extra outgoings in rates;
- (3) Farmers know where they stand and can develop their holdings in full confidence that their rates will not be increased by their own improvements;
- (4) Farmers build up greater assets and enjoy higher net income than under N.A.V.;
- (5) Farmers feel that their site-value rate is equitable in relation to that of their neighbors who will usually pay much the same per acre as themselves. This contrasts with net annual value rating which often charges developed holdings as much as 20 times that on adjoining undeveloped holdings or similar size.
- (6) It becomes less profitable to invest in land and hold it sterile. Investment holdings are either developed or put on the market.
- (7) New farmers can therefore get land more cheaply and so establish themselves more soundly with better ability to cope with falling prices;
- (8) Development becomes economic on marginal holdings which would be uneconomic where subject to the higher rates of N.A.V.;
- (9) Development of the potential is accelerated to the farmers' and the nation's advantage;
- (10) Farmers gain by the better-balanced development of rural areas under site-value rating. This brings more local opportunities for their children in industry, building, transport and trade. It enables better educational facilities and other amenities to be provided and may prevent drift to the city.

The farmers resident upon and working their holdings benefit in lower rates under the site-value basis in the majority of cases just as do householders in the towns and in about the same proportions. The percentages of such farmers benefiting in some specific areas were: Keilor Shire 81%, Eltham Shire, 77%, Frankston and Hastings Shire 55%. Where the incidence is different it is usually the result of valuation anomalies. There are provisions for special "farmrates" to cover such cases.

What Farmers Who Have Experienced Site-Value Rating Think Of It.

The rural shires of Rosedale and Yea have used site-value (U.S.V.) rating since 1921. Reversion polls were taken in 1953 and 1959 respectively to find whether they wanted to retain it or go back to net annual value. The booth results below leave no doubt that farmers prefer site-value after experience of both systems.

ROSEDALE SHIRE			YEA SHIRE		
Centre	Favor NAV	Favor UCV	Centre	Favor NAV	Favor UCV
Rosedale	43	206	Yea	223	541
Toongabbie	20	95	Limestone	3	21
Glengarry	21	118	Murrindindi	25	47
Gormandale	21	59	Highlands	27	54
Wenke's Cnr.	49	32	Molesworth	30	60
Wurruk	4	127	Glenburn	29	41
Kilmany	21	59	Homewood	59	21
Nambrok	33	37	Pheasant Ck.	10	94
Longford	11	90	Flowerdale	40	48
Dutson	0	24	Postal	56	145
Callignee South	1	24			
Cowwarr	1	161	Totals	502	1072
Willung	0	32			
Flynn	0	17			
Wandocka	9	29			
Sale	3	61			
Seaspray	1	33			
Stradbroke	6	63			
Postal	0	14			
Totals	244	1281			

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