

Local Government Rating Review submission

The two most thoroughgoing inquiries into Australian municipal rating have proven to be:-

- 1) the 1965-1967 NSW Royal Commission on Local Government Finance and Land Valuation, under Justice Rae Else-Mitchell, and
- 2) the 1989 Brisbane Committee of Inquiry into Valuation and Rating, under Sir Gordon Chalk.

Both inquiries came out strongly in favour of Site Value rating (or Unimproved Capital Value rating as it was then known), and both contained extensive reasoning for their respective decisions.

By comparison, in the early 1990s the Municipal Association of Victoria came out with a report whose main criterion appeared to be that “people understand the basis of Capital Improved Value rating”, and the weak case in this lone report favouring CIV rating was astonishingly taken up in a subsequent Victorian Local Government Department rating report.

It had become optional since 1920 for Victorian municipalities to switch the basis of rating from Net Annual Value Rating (NAV) to Site Value (SV) rating in accordance with the reasoning behind credible inquiries and extant State land taxes, and by 1990 most Victorians were located within councils rating on Site Value only, a system that does not penalise site construction and improvement. Although some councils made the change on their own volition, most came as a result of ratepayer polls on the preferred rating system.

However, in the early 1990s the Victorian State government proceeded to offer ‘privileges’, including the option to levy ‘differential rates’ (on whatever basis) to those municipalities which were prepared to rate on the Capital Improved Value only - with the eventual result that all councils except two (who remain on NAV rating) were eventually unable to resist the blandishments offered, the City of Monash being the last to transfer from SV to the CIV rating system.

It is all too clear that those people who benefit most from CIV rating are those holding unused or vacant land, or those whose properties are under-improved. SV rating, on the other hand, acts as an incentive to use a site or to dispose of it.

That it is now proposed to remove SV as an optional rating base is remarkable in view of the evidence that in every case since 1920 where a transition had been made to SV, the municipality experienced an uplift in construction activity compared surrounding NAV municipalities. This was shown in all [Land Values Research Group studies since 1943](#), even during periods of recession, and confirmed by visiting Professor Kenneth Lusht in the attached study for the Lincoln Institute of Land Policy in 1992.

In view of the weight of rating regimes studies favouring SV rating, the proposed removal of SV rating as an option appears to be most undemocratic and worthy of further public

debate, if not to warrant investigation into the motives behind such a regressive proposal.

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