

Our Australian Letter

THE TRANSFORMATION OF SYDNEY

THE most casual visitor to Sydney could not fail to be struck by the extraordinary transformation which it is undergoing in every part. Wherever you may happen to turn you will see vacant spaces sometimes of huge dimensions, where new buildings are about to be erected, or where old buildings have been pulled down to make room for others more up-to-date. Many of the streets resemble a human jaw after a dentist has extracted some of the teeth. There are great gaps where some familiar and perhaps historic building has been torn from its surroundings, and where the skeleton of its successor may be seen in its stead. Martin Place, opposite the G. P. O., in the very centre of the city, where the Indian cavalry and other representatives of the Empire performed their evolutions in honor of the inauguration of the Commonwealth nearly a quarter of a century ago, is the most conspicuous instance of the kind, and this week the long-discussed proposition is to be decided as to whether the immense cavity formed by the pulling down of some big buildings there shall be made the nucleus of a splendid avenue right up to Macquarie Street, which would rival the Place de la Concorde in Paris, or whether a Government Savings Bank shall be erected there, which would completely block the view. Almost every street has some building or other which is being completely metamorphosed, remodelled from turret to base, and rejuvenated in such a remarkable way that one wonders whether Professor Steinach has poured into its bricks and mortar the elixir of life.

Crumbly and weather-beaten old warehouses that have been used for storing wool from time immemorial have suddenly felt the touch of the enchanter's wand, and are now blossoming out as elegant-looking shops with marble fronts, lofty chambers, up-to-date offices, and handsome verandahs to protect the shoppers from the rain. Perhaps the most startling case of the kind is that of the one-time Imperial Hotel, opposite the *Sydney Morning Herald*, which, in the slow course of months, has been gradually undergoing a complete transformation from its summit downwards. It was watched with the greatest interest by the crowds of people who are continually passing that part of the city, till suddenly one fine morning scaffolding was taken down, the familiar old bar, where so many cocktails had been dispensed, was seen to have disappeared, and in its place was a gorgeous-looking bank, with massive windows, imposing portals, and a newly-painted superstructure towering to the sky. It has only eight stories, to be sure, which would be nothing in New York, but the Sydney sky is apparently on a somewhat smaller scale. Right opposite the reconstructed bank is the *Sydney Morning Herald*, "Old Granny," as it is familiarly called, which has transacted its multifarious business from time immemorial in a tumble-down old building with dark and dreary dungeons for editorial rooms and creaking stairs, in startling contrast to the palatial edifice in which its rival, the *Daily Telegraph*, is housed.

But in a little while the *Herald* will burst forth like a Brazilian butterfly, a splendid up-to-date building being in course of erection on the adjoining lot.

THE SUBURBAN BOOM

In the suburbs similar activity is being shown. The idle land that is so much in evidence in the country, and which was formerly so much in evidence in the city and suburbs, is being put to its utmost use, great clumps of trees that have been a delight to the eye ever since Captain Cook landed on our shores are everywhere falling to the wood man's axe, and rows of nice-looking shops, cottages and flats, are being erected all over the place. This activity is not confined to the city or to one particular suburb, but is universally prevalent from the centre of the capital to its furthest outskirts, and sometimes even further still. A most conspicuous result is a tremendous increase in competition in every occupation—butchers and bakers, grocers and green-grocers, chemists and sweets sellers, jostling one another in a wild scramble for the crumbs that fall from the residents in the numerous cottages and flats that have sprung up like mushrooms in every one of the suburbs that together constitute the Greater Sydney of today.

A DOUBLE-EDGED CAUSE

Now what is the cause of this remarkable outburst of activity with its resultant increase of competition in every walk of life, for it is no isolated phenomenon but is evidently brought about by some cause or causes operating under our very eyes. A most cursory examination of the facts shows that both of these results—the boom in the building trade and the increase of competition—are the natural result of different methods of taxation, accentuated probably by a vigorous though misdirected policy of immigration which is bringing new settlers to our shores without taking the only possible steps by which the land can be made profitable to settlement. That land settlement is not too profitable now is evident from a glance at the Official Year Books for the Commonwealth and State which show that in New South Wales the area under cultivation, including grasses, has fallen from a little over 7,000,000 acres in 1916, our maximum year, to a little over 6,250,000 acres in 1921, while the area under crops has fallen from 5,794,835 acres in the maximum year named to 4,864,342 acres. In the Commonwealth the area under cultivation during the same period has fallen from nearly 17,000,000 acres to 15,000,000 acres.

The truth is that the high price of machinery and implements used in production caused by protection, the heavy charges for freights and fares caused by the non-taxation of land whose value has been enhanced by the construction of the railways, the capriciousness, non-reliability, and high cost of labor, added to the uncertainty of the markets and the certainty of periodical droughts, have ruined many of our farmers and settlers and deterred others from risking a similar fate. These reasons easily explain why people are afraid to venture their savings on the land, even if they could get any, which is not always the case,

and why so many of them prefer spending what capital they have in starting shops of their own in the suburbs, where, if bad luck overtakes them, they can generally sell out before they have lost their all.

A THREE TAXED LAND

The first fact to be noted is that out of a total taxation in New South Wales from all sources—Commonwealth, State and Local Government—for the year 1921, no less than £5,411,868 was obtained by the various local governing bodies in Sydney, in the suburbs and country and in the shires. The land tax levied by New South Wales, outside of the Local Government areas, and without reference to the Federal land tax, amounts to only a penny in the pound on the u. c. v. (unimproved capital value), it only applies to the unincorporated portion of the Western Division where the land has the least value, it is subject to an exemption of £240, and it only brings in a very trifling amount—£2,717 in 1921. In all the other States the amount obtained from this source is very much more, ranging from £57,000 odd in Western Australia to £469,000 odd in Queensland. The incidence of the land tax levied by the Commonwealth, on the other hand, is very different, the tax yielding from £41,462 in Tasmania to as high as £933,649 in New South Wales, while Queensland only contributes about £86,000. But this is a grossly inequitable tax, all estates valued at £5,000 and under being exempt, while all others are charged from a penny up to 10d. in the £. The effect of this tax, as I previously pointed out, has been to encourage land monopoly, since you can own land up to £5,000 in value without being called upon to hand the tax gatherer a cent.

Not only do both Commonwealth and State levy taxes, and different taxes on the land, but they both levy taxes, and different taxes, on incomes. The Commonwealth obtaining £1,144,173 from the taxation of land in 1921 and £5,280,977 from the taxation of incomes, while the State of New South Wales obtained £2,707 from the former and £4,400,000 from the latter. This dual system of taxation has led to such extravagant waste and irritation that it is at last proposed to abandon it (at any rate so far as the taxation of incomes is concerned) and concentrate it in the hands of the States, the latter relinquishing the per capita sum which the Commonwealth has hitherto paid them in return for the privilege of taxing incomes. This question is being discussed at a meeting of the Premiers and the Commonwealth authorities this afternoon, and some sort of a compromise will probably be reached, but the point I want to prove is irrespective of this, and turns principally upon the way in which the rates are levied in the Local Government areas by the municipalities—city, country and suburban—and by the shires.

RATING ON THE U. C. V.

Up till very recent years the bulk of the municipal rates in Sydney were levied on improvements, owners of vacant land getting off with a maximum rate of 6 per cent. on its

capital value. The more money a man spent in improving his land, the better the style of building he put on it, the more he was fined, with the necessary result that building was discouraged, enterprise was retarded, and any amount of vacant lands were to be seen on every hand, the owners naturally preferring to bide their time till the demand for land was so keen that the most extravagant prices would be offered for it. At last in 1908 an amending Act was passed in Sydney under which rates of a penny and a penny halfpenny were levied on the U.C.V. in addition to rates on the improvements as before. But in 1916, with the passing of the present amending Act the whole of the rates (excepting those for water and sewerage) were levied on the U.C.V., commencing at 4d. in the £ and gradually rising up to 5¼d. at which it now stands.

Under the new system the revenue leapt from £466,943, the highest amount received under the double system of rating, to £747,657. In addition to this there is a water and sewerage rate levied on improvements under another Act which the Free Trade and Land Values League has been doing its very utmost for years past to have altered, so that the water and sewerage rates can also be levied, as all the other rates are, on the U.C.V. In 1908 the country and suburban municipalities were compelled to levy a rate of a penny in the £ on the U.C.V., and from that year onwards this method of rating has grown in such favor till in 1920 190 municipalities levied rates on the U.C.V. and 24 on the improved value.

There has also been a marked tendency to increase the amount of the rate in order to meet the numerous expenses incurred by the municipalities in making and mending roads, and in various other ways. For example, in 1908, 32 country and suburban municipalities levied a rate of a penny and under twopence on the U.C.V., 47 levied one of twopence, 59 threepence, 35 fourpence, 12 fivepence, while only five levied a rate of sixpence and over. In 1920, it was the other way about. Only eight municipalities levied a penny and under twopence, and only 12 levied a rate of twopence, whereas 34 levied threepence, 53 fourpence, 43 fivepence, and 34 sixpence and over. In fact, as the Official Year Book tells us, "While the total taxation imposed in 1920-21 was almost double that of 1916-17 the increase in Local Government taxation was rather more than 50 per cent."

IMPORTANCE OF LOCAL GOVERNMENT RATES

In the wider but more sparsely populated area of the shires the general rates must be levied on the U.C.V. up to a maximum of twopence in the £. The tendency towards higher taxation is equally marked in the shires as in the municipalities, no less than 87 out of a total of 136 levying the maximum rate of twopence in the £ in 1920. Besides the general rate additional general rates, special, local, and loan rates were also levied on the U.C.V. by 43 shires, ranging from one-tenth of a penny to five pence in the £. The importance of these Local Government rates may be gathered from the fact that the total amount raised by the

city, suburban, and country municipalities and shires for 1920 was £4,748,222, or at the rate of £2/5/9 per head of the population, and that nearly the whole of it was obtained from the U.C.V. of the land, altogether apart from the improvements. The cost of constructing the huge bridge to connect Sydney with the North Shore which has been in contemplation for many years, and is now to be commenced without any further delay, is to be met by a tax of a half-penny in the £ on the U.C.V. of land on the North Shore and in those parts of the city which will be affected by it, the balance to be met by the Government and Railway Commissioners combined.

The immediate effect of all this taxation concentrated on land values apart from improvements has been to make the holding of land idle in the city and suburbs, and generally within Local Governing areas, a luxury which very few people can afford. Sooner than pay the increasingly heavy rates the owners either put up buildings in the hope of making a profit out of the rents, or part with the land to others who are more enterprising than themselves. As a result of the large number of buildings which are everywhere going up rents must come down, competition among trades people must increase, their chance of making a livelihood must diminish, and unless some outlet is found for them on the land, where they can become producers and help to swell the wealth of the country, a crash must sooner or later ensue. The only way to avert it is by abolishing the Federal and State land taxes with their iniquitous exemptions and graduations, and to substitute one uniform tax on all the land values of the Commonwealth, the same in principle as the Local Government rates. If this were done no one could afford to hold land idle, but would be compelled either to put it to use or to part with it to someone who would. If this were followed by the abolition of the iniquitous system of protection, which taxes the men on the land and consumers generally in order to swell the profits of the manufacturers in the towns, we would soon see a change of things for the better, and such a happy revolution in our affairs as has never yet been recorded of any country in the history of the world.

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