

L.C.C. BILL FOR SITE VALUE RATING

STATEMENT ISSUED TO THE PRESS

By Herbert Morrison, M.P.

(Leader of the London County Council)

"I confess that I am not satisfied that the incidence of local taxation is fair . . . I do not understand why the whole burden of local taxation should rest upon the occupiers alone, and upon them in proportion only to their rateable value. The rateable value may not, and very often does not, bear the slightest proportion to the means of the man who is rated . . . I would ask again: 'Why should the owners of ground rents escape all contribution to the expenditure of their localities?' These ground rents have grown out of the prosperity and industry of the community. The property of the owners has been improved by local expenditure, and why should not the owners contribute towards the local expenditure, of which they ought to bear a part."—*The Right Hon. Joseph Chamberlain, M.P., at Ipswich, 14th January, 1885.*

IN THE COMING Parliamentary Session the London County Council is to promote a Bill for the rating of site values.

The purpose of the Bill is to open up a new source of municipal revenue and thus to relieve the general body of ratepayers of part of the burden which would otherwise fall upon them. It is not a Bill for additional municipal expenditure. It is not a Bill for increasing the municipal rate burden of the average citizen—on the contrary, it is a Bill to relieve the average citizen.

LANDOWNER ESCAPES

Under the present rating system the owner of land as such entirely escapes municipal rating despite the fact that he is a great beneficiary from municipal activities and the very existence of an urban community. It is not fair that the landowners should be in this privileged position. The case for a change was very well stated by the late Joseph Chamberlain, father of the present Prime Minister, whose declaration on the matter is quoted at the head of this article.

As urban communities grow land values rise. The

activities of a great population, its commercial and business enterprise, the concentration of a great community within limited space, puts the landowner into the position of being able to demand a higher and higher price or rent for his land. Moreover, the municipal services themselves, which make civilized urban life possible and increase public amenities, assist the landowner to command a higher price for his land.

PUBLIC EFFORT AND VALUE

The opening of a public park, the establishment of the Green Belt, highway improvements, a new bridge and a number of other municipal developments, may well have the effect of increasing the value of the surrounding land. The money goes into the pocket of the landowner who has done nothing to create the added value.

Moreover, when the municipality wishes to buy land for a public improvement, the landowner naturally seeks to get the highest price he can from the local authority. In a large proportion of cases he is paid out of public funds a substantially higher figure than he himself paid for the land.

Yet the landowner, who has little to do but to stand by and watch other people add to the value of his land—he as such, pays no rates. It is not fair. It is for these reasons that the L.C.C. has come to the conclusion that the landowner should make his contribution to the cost of local government and thereby relieve the burden which the general body of existing ratepayers must otherwise carry in full. It is a question of justice and not a question of wishing spitefully to hurt any particular class of the community.

The general body of ratepayers have every interest in the Council's proposal and they should write to their Members of Parliament asking them to support the Bill. Those Members of Parliament who oppose this Bill are thereby insisting that the occupiers shall continue to carry the full burden in order that the owner of the land shall escape.

THE PROPOSALS OF THE L.C.C. EXPLAINED

By Charles Latham, F.L.A.A., J.P.

(Chairman of the Finance Committee)

AS THERE appears to be some misapprehension in some quarters as to the exact nature of the London County Council's decision to seek power from Parliament to levy a rate on site values the following explanation of its main features may be of utility.

Under the present rating system the burden of local rates falls entirely upon the occupiers of property. The share borne by each occupier is broadly determined by the rental of the premises he occupies. As those who are least well off generally have to spend a larger proportion of their incomes on rent than those who are better off, the existing method of rating imposes an undue and unfair burden upon those least able to bear it. There are no grounds of equity or justice on which this can be defended, and the position has been made much worse in recent years by "de-rating," which has increased the amount of rates falling on occupiers of houses and shops and on non-industrial premises.

Moreover, the existing rating system calls for no express contribution from owners of land values, although the public services do so much to maintain and indeed increase the value of land. Moreover, as vacant land is exempt from rating and other land is rated the more heavily the more it is improved, local rating as at present operated encourages the holding of land out of use and discourages the improvement of land. It is therefore not merely unjust as between one ratepayer and another, but its economic effects are injurious to the well-being of the community generally. It makes housing accommodation dearer, restricts trade, and helps to cause unemployment.

The County Council desires to remedy these grievances by obtaining from Parliament powers to enable it to levy a rate on site values. This rate would be imposed in respect of all sites according to their annual site value, that is to say, the amount for which any

site could be let with security of tenure if there were no buildings or improvements on it.

The amount of rate which the Council seeks power to raise is 2s. in the pound on the annual site value.

This would not be an additional burden upon the occupiers of property, but would be payable by the owner of site value. In the case of long leases, where lessee as well as freeholder was in enjoyment of part of the site value, the rate would by a simple method of deduction be shared between lessor and lessee. The collection of part of the municipal revenue by a rate on site values would enable a reduction to be made in the amount collected on the existing basis, and would thus reduce the charge on occupiers.

It is sometimes thought that the land value rate would be shifted by owners of land on to their tenants by increasing their rents. This is not so. The price or rent which has to be paid for land is a matter of demand and supply. As the site value rate would fall upon vacant land, and render it uneconomic to hold such land out of use, it would have the effect of increasing the available supply of land, and prices or rents would tend to fall rather than rise.

It is also occasionally suggested that the proposed change would be detrimental to the small occupiers who have bought their own houses. This is not so. In such cases the site value is usually a small fraction of the total value of land and building, while in the valuable central areas of cities the site value is a high proportion of the total. The effect of the change would be to call upon the high values of the central areas to make a higher contribution. The owner-occupiers of small dwelling-houses would make a smaller total contribution to the rates than they do at present.

The importance and value of the Council's proposal is accentuated at the present moment when London is faced with proposals for highway improvements which, according to the Minister of Transport, may ultimately cost 80 to 120 million pounds. A very large proportion of that sum will be for acquisition of land and compensation for property affected. On the other hand, there is no doubt that the end result of such improvements by improving access to sites will be a large increase in its values. Indeed, all properly devised public expenditure which makes a town a better place in which to live or carry on business tends to increase land values. It is only fair that values which arise by reason of the very existence of the community should be called upon to make some express contribution to public expenditure, and that the homes and industries of the people should be relieved of some part at least of the undue burden now imposed upon them.

These are some of the main considerations upon which the Council's proposal is based, and I am confident that when they are fully understood it will obtain general and unqualified support.

In July, 1936, the Finance Committee of the London County Council presented a most exhaustive report and the Council resolved that the Government be urged to introduce legislation giving local authorities generally power to levy a rate on site values. This the Government has declined to do. In the opinion of the County Council, the injustice and the defects of the present system are so acute that it decided at its meeting on the 26th July last to promote legislation to obtain such powers so far as concerns its own area, the Administrative County of London.

[This letter has appeared in numerous newspapers, including important dailies like the *Manchester Guardian*, the *Financial News* and the *Birmingham Post*, and among the weeklies, the *Estates Gazette*.]

NOTES AND NEWS

A Northern Areas Convention on Land Monopoly, Tariffs and Trade Barriers and a New Rating System, will be held on Saturday, 26th November, in the Houldsworth Hall, 90 Deansgate, Manchester, to which Political, Co-operative, Industrial, Peace Societies, Religious and other organizations will be invited to send delegates. Mr D. R. Grenfell, M.P., will preside, and the speakers will include Mr Andrew MacLaren, M.P., Mr R. R. Stokes, M.P., Mr H. G. McGhee, M.P., and Councillor William Johnston. Text of the resolutions to be submitted was printed in our issue of last month. The Convention is being organized by the Land Values Group of the Parliamentary Labour Party in conjunction with the Manchester Land Values League.

Risking the charge of always seeing "King Charles's Head," we quote the reported statement (*Glasgow Herald*, 18th August) by Mr J. F. Byers, America's representative on the Rules of Golf Committee, on suggestions that have been made for altering the size of golf balls: "The development of golf generally has raised the problem of length (of courses). It would almost seem that the solution lies between increasing the length of golf courses or reducing the carry of the ball by increasing its size. In Britain as well as in America there is great difficulty in thinking about increasing the size of golf courses, as land is generally practically unobtainable."

In Belfast also a "green belt" is contemplated. A special committee dealing with the extension of the City's boundaries is thinking about it, as to which a member of the committee was reported (*Northern Whig*, 4th August) to say: "The acquisition of the land required to preserve the green belt will entail a very heavy expenditure. A farmer asked to surrender his land will possibly say 'I want this ground for building development. What compensation are you going to pay me for taking it from me?' That is a vital matter and one which must not be lost sight of when weighing up the financial side of the project."

Another "King Charles's Head" item: The Government is to make a grant under the Physical Fitness Scheme for the appointment of a national organizer for cycling. This is welcomed in cycling circles, says the *Eastern Daily Press*, 10th August: "If the town dweller is to get the benefit of full physical recreation the cycle is an essential factor in his access to opportunity for it. Land values in towns mount up and the provision of really adequate playing fields and recreation grounds within the limits of the town becomes more and more difficult."

The cycle "bridges the gap" by bringing the country beyond within reach. This is like the consolation of the philosopher who just looked difficulties squarely in the face and walked on.

Major Edward G. Ross, candidate of the Patcham Ward Labour Association, Brighton, opens his municipal election campaign with a meeting in Ladies Mile Hotel Hall, on 4th October, to explain the assessment and rating of land values. This is his main plank and his election literature includes a large quarto leaflet making a full statement on the question which for its instruction could not be bettered. Our colleague, Mr Duncan Cuthbertson, has done much effective work in interesting local leaders. He writes of the possibility of a Labour Group being formed in the Brighton Council to promote the rating of land values.