ADMINISTERING THE SLUM PRODUCTION ACT

The parts of the Town and Country Planning Act relating to central and local administration, the appointment of the Central Land Board, the organisation of the local planning authorities and the compulsory acquisition of land, took effect shortly after passage of the Act in August last. The "appointed day" for the rest of the Act is July 1st, 1948, after which the control of development with all that is involved thereby, including the permission, the penalties, the development charges, etc., comes into operation. The Act is a monstrous build-up of delegated legislation, requiring the "Statutory Instruments" for its administration and the "Circulars" to local authorities laying down the "Regulations," which follow one another in a steady stream, inundating the country.

Of these "Statutory Instruments" the most important deals with the assessment of the "development value" and consequent levy of the "development charge," under powers given in Section 61 of the Act. Another deals with Development Charge Exemptions, grouping a number of small developments as to which Section 69 allows the Minister to make regulations freeing them from charge. A third such "Instrument" lists twenty-two classes of undertakings or occupations, each respectively of a kindred nature, within which a change of use is not deemed to involve development and is, therefore, exempt from development charge. That order implements the powers given to the Minister under Section 12 of the Act. Thus he now tells you that if you are a candle-maker you can, without permission, become a dealer in rags or a gut-scraper, and *vice versa;* or if you are a salt glazer you can turn to the production of sulphur dioxide, and *vice versa,* and so on. A changed use is not a changed use so long as it is within a prescribed class. But you cannot change over from, say, Class VI to, say, Class VII to produce ultramarine or zinc chloride instead of lampblack or zinc oxide without ministerial permission and rendering yourself liable to a development charge; nor, if you run a shop, can you indulge in fish-frying or the sale of tripe. Under the wisdom of Parliament that's a "change in use" which, being permitted, may call for a special valuation of the property, assessing its newly-created "development value" and imposing the corresponding charge. And so, with any change of occupation which takes a business or any part of it out of one class to enter another. Enterprise and initiative are throttled. The Act binds ligatures on the veins and arteries of the country's commercial life. The planning permissions and, by their exclusion, the planning prohibitions, coupled with the development charges and their manner of application, are the most arbitrary and obstructive measures conceivable.

The Development Charge

MR. SILKIN'S "SECOND THOUGHTS"

With some comments, we give these extracts from the Debate in the House of Commons on May 26th.

THE SECRETARY OF STATE FOR SCOTLAND (Mr. WOODBURN): The Town and Country Planning Act, 1947, says that regulations may be made, with the consent of the Treasury, prescribing general principles to be followed by the Central Land Board in determining if any, and if so what, development charge is to be paid in respect of any operations or use of land. This is the purpose of the development charge regulations which are now laid before the House. The general principles are set out in the schedules, and are based on the assumption that the Board must charge the full amount of 100 per cent. of the increase in value attributable to a planning permission. The first paragraph in the Schedule says that the

"Development charge shall be determined so as to secure, so far as is practicable, that land can be freely and readily bought and sold or otherwise disposed of in the open market at a price neither greater nor less than its value for its existing use. This object is the Governing Principle by which the Board are to be guided in determining development charge."

The second paragraph lays down that a

"Development charge shall not be more than the amount which, to the satisfaction of the Board, represents the additional value, measured by normal processes of valuation, of the land due to planning permission for a particular development."

The third paragraph states:

"Development charge shall not be less than the amount referred to in paragraph 2 of this Schedule, unless in the opinion of the Board the charge ought properly to be less in order to comply with the Governing Principle."

The fourth provision is:

"Where in the special case of any land of a class referred to in Part VIII of the Act (which provides for the application of the Act to special cases) the application of the foregoing principles would, in the opinion of the Board, be inappropriate, the Board shall apply the Governing Principle subject to such modification as is in their opinion appropriate to that special case."

Mr. WOODBURN, moving adoption of these regulations, gave them but a cursory explanation. In the ensuing debate, they were criticised by Mr. HENRY STRAUSS (English Universities), and the Conservatives, Mr. MANNINGHAM BULLER, Mr. WALKER-SMITH, Sir H. LUCAS-TOOTH, and Mr. THORNTON-KEMSLEY. Labour speakers, Messrs. MCALLISTER, SCOLLAN, and MITCHISON defended the regulations. Labour speaker, Mr. R. R. STOKES, passed some sound strictures on the Act itself. After the Minister, Mr. SILKIN, had replied, Labour speaker Mr. H. MCGHEE took exception to the idea that the full "development value" would not, in some cases, be collected, and hoped "that when land is deliberately held out of use compulsory powers of purchase will be exercised and that local authorities and the Central Land Board will speedily acquire the land to allow fresh development." Thus Mr. MCGHEE appeared to range himself with the land nationalisers, the folk who, with their purchase schemes and their hands in the public purse, have no compunction in despoiling the people to pay ransom to the land monopoly.

But it is Mr. SILKIN'S amazing speech which deserves the greater notoriety—for its admission of blunders and folly and its revelation of the hopeless mess he has made of this legislation. The Act was rushed on the Statute Book under operation of the closure and the guillotine. And now, as its provisions are studied, as its jungle ever thickens with growth of rules, orders, regulations and decrees, as all persons concerned with the use and development of the land become daily more dumbfounded by the products of H.M. Stationery Office, apprehension is succeeded by alarm. Not late but soon will come the imperative demand that the fiscal and financial provisions of this Act be repealed and that its impedimenta against all progress be torn down. Already much damage has been done deserving retribution upon the ministers and their followers who have been responsible for it. Meanwhile the Government is driven to strange devices and dangerously collusive stratagems in its attempts to work an unworkable Act.

Admittedly Unworkable

THE MINISTER OF TOWN AND COUNTRY PLANNING (Mr. SILKIN): This question of development charges is a difficult and technical one. It is a novel conception, and I would not apologise for having second thoughts or even third thoughts on this highly intricate matter. We have, before submitting these regulations, had discussions with a great many people and a great many bodies. We have consulted no less than 42 organisations. Among those who might have had some criticisms to offer were the urban district councils, the rural district councils, the City of London, the Town Planning Institute, the Royal Institute of British Architects, the Auctioneers and Estate Agents Institute, the Land Agents Society, the Architects and Surveyors Incorporated Association, the Valuers Institution, the Law Society, the Association of British Chambers of Commerce, the Royal Institution of Chartered Surveyors. These regulations were framed in consultation with the Central Land Board, which is in full agreement with them.

I pass to the charge that there is no flexibility in these regulations; that the Central Land Board is compelled to charge

automatically the difference between the existing value and the market value; and that this is a departure from the policy stated in the course of the Second Reading and the Committee stage of the Bill. I want to admit at once that there has been a departure. We started off with the idea that the Central Land Board would be able to exercise discretion in particular cases as to the amount of development charges that should be imposed. After much thinking and long discussions with the Central Land Board, which unanimously took the view that the policy which had been set out during the passage of the Bill through the House was not workable, I eventually came to the conclusion that the policy set out in these regulations was right. It is implicit in the whole conception of this matter that the price of land should be restricted to its existing use value. The whole conception is that the value of land is divided into two parts—the value restricted to its existing use and the development value. The market value is the sum of the two. If, by the action of the State, the development value is no longer in the possession of the owner of the land, then all he has left is the existing use value. The fund of £300 million is being provided for the purpose of compensating the owner of land for this reduced value. Therefore the owner of land can have no possible claim to any part of the development value and it is logical and right that the State should, when development takes place, make a charge which represents the amount of the development value.

I deny emphatically that in making that charge the Central Land Board need necessarily act harshly or without any flexibility. Valuation is not an exact science. There is room for difference of opinion and it is always possible to put different values on land. It is not intended that the Central Land Board should announce their decision and then require the proposed developer to take it or leave it. The amount of the development charge ought to be a matter for negotiation and discussion. The Central Land Board must in the first instance make up their own minds what is the right figure, but, having told the proposed developer what that figure is, they wil be prepared to hear the views of the developer or his agent, to enter into discussion, and to arrive at the figure by a process of negotiation if the developer and his agent have been able to make a case that there is anything wrong or debatable about the valuation which has been made on behalf of the Central Land Board.

Arbitrary Valuations

In the course of the passage of the Bill it was contemplated that in some cases the charge might be less than 100 per cent. whereas in these regulations no such provision is made except in paragraph 3. The number of cases to which paragraph 3 will apply will be very small indeed. We are working in the dark in this, we are providing for eventualities, and I admit that if at this moment I were asked to say what kind of case will come under paragraph 3, I could not say. Experience will show that cases will arise, and it will then be possible for the Central Land Board to deal with them by the method contemplated in paragraph 3. There will be cases where development is desirable, and where on the basis of ordinary processes of valuation the Central Land Board will be required to make a certain development charge, they will have discretion to disregard transactions where they are not truly applicable, and to make different valuations, and in that sense they will have a certain degree of flexibility. In other words, the flexibility which I had formerly thought the Central Land Board should be able to exercise, will arise in the process of valuation rather than in the percentage which they will be charging. Even in the normal processes of valuation there is room for a certain amount of elasticity, and I would expect the Central Land Board to exercise that elasticity in valuation rather than in the percentage that they will charge.

Will Not Cheapen Land

The point that was made was that under these regulations there would be no incentive. Let us take the proposed developer. What is the incentive? He will pay no more for his land under the Act and under these regulations than he would have paid under the pre-Act conditions. That is to say, the price of his land at the existing use value and cost of development charge will be no greater than it would have been had he bought at market value. Do hon. Members suggest that the developer needs any further incentive or that he ought to get any further incentive? I take it that the answer is no.

Chief Failure of the Act

As for the vendor, there is no suggestion that the owner of land needs an incentive to sell his land. He will get what is the new market value for his land, and most people who put their land in the market for sale expect to get the market value for it, no more and no less. I do not pretend that the Act will bring more land into the market. When the appointed day comes and people decide to sell their land, they need no more incentive than that they will get the new market value for their land plus their share, if any, in the £300 million for loss of development value.

The Land Purchase "Incentive"

But the Act does provide a further incentive or inducement where an owner is unwilling to sell his land or to develop it, and yet that development of that land is essential in the national interest. Either the local authority or the Central Land Board can, in proper cases, acquire the land and ensure that development does rightly take place. The fact that these powers exist, and will be operated in proper cases, will provide a sufficient incentive and inducement to owners of land to carry out such development of the land as may be desirable in the public interest.

We have conscientiously applied ourselves to deal with what I regard as probably the most difficult of the various regulations which from time to time will come before the House. I do not think I need apologise too strenuously for having had second thoughts about it and for having given further consideration—possibly even for having listened to some of the arguments of hon. Gentlemen opposite.

Breaching the Act's Provisions

MR. MOLSON (Conservative—The High Peak): I would remind the right hon. Gentleman (Mr. Silkin) that Section 70 (3) of the Act says that such regulations as are under discussion to-night—

> "may in particular provide for securing that the amount of the said charge shall be determined on different principles in relation to the operations or uses of different classes, or in relation to operations or uses carried out or begun at different periods."

These provisions of the Act have been dropped out, because it is not thought expedient to provide in the regulations the powers that were expressed on that occasion. I understood from his speech that the flexibility is to be put into the development charge, as opposed to its being put into the percentage of the development value which was to be levied by the Central Land Board as a condition of giving assent for development. That, of course, is a very great change. Whereas at the time the Bill was being passed he had regarded the development value as a precisely ascertainable sum, and he had intended that the development charge, the amount to be taken by the Central Land Board should be a variable percentage of that amount, under this regulation 100 per cent. has to be taken on virtually every occasion, but there is to be bargaining between the intending developer and the Central Land Board as to what the actual increment in value is to be. I think that that is a very great change for the worse. He now thinks it is better to leave scope for bargaining between the Central Land Board and the developers.

Valuation Trickery

The provisions of this regulation, which the House has been asked to approve to-night, are likely to make the whole Act unworkable. The flexibility which the right hon. Gentleman has claimed can only be introduced by falsifying the valuation of development value in land. The fact that in the vast majority of cases the whole of that value will be taken by the Central Land Board is likely to hold up and obstruct the development of our country.

Development Charge Exemptions

The Debate, also on May 26th, on the Instrument which authorises the Minister to except certain classes of development from charge (in addition to those stated in the Third Schedule of the Act) caused considerable amusement, so many were the

anomalies and contradictions pointed out by Opposition speakers. The Ministers collapsed under this fire and lamely kept reiterating how they could remedy matters under their delegated powers, showing also how much uncertainty, insecurity and confusion this Act portends.

MR. WOODBURN: "None of these regulations are the last word on the subject"—"Experience will throw up many changes which will require to be embodied"—"There may be alterations required in regulations issued from time to time."—"This regulation is one of a series . . . ."

MR. SILKIN: "I do not pretend we have thought of every single thing"—"This is not the last regulation that will be made"—"If the hon. Gentleman (of the Opposition) can think of any others which ought to be exempt we shall be only too glad to consider them"—"I shall direct the Central Land Board to exclude . . . ."—"I do not imagine for a moment that this is the last list"—"If we find that further regulations are needed for providing additional exemptions, further regulations will be made."

CRY HURRAH for British Socialist legislation and the Planned Economy—and after us, the deluge!

MR. R. R. STOKES (Labour—Ipswich), in the course of the Debate said: The more I listen to discussions about it, the more certain I am that it will be a packet of fun for the lawyers. I have never been wholly in love with this Measure. Indeed, had I been the Minister I would not have introduced it. While I wish my right hon. Friend the best of luck with his Measure, I believe that it bristles with great difficulties. I want to persuade him to do something in the form of regulations which will get himself out of his own difficulties. The whole of the Act will be general sterilisation, particularly of re-development. I have no wish to leave these matters in the hands of hon. Members opposite. I am not speaking for the landlords. I am utterly and unalterably opposed to landlords. Let there be no mistake about that. I do not think that the way to develop land is to hand it over to a lot of Whitehall officials. While I have no wish to oppose the regulations, I want to say to my right hon. Friend as forcibly and as explicitly as I can, that what he is really doing by these regulations is to prevent and discourage proper development of land while inflicting no penalty whatever on those who hold land and prevent it from being developed. He is really an accessory to the villainous old system—although he is doing it for a different reason; they did it for profit and he is doing it for planning—which discourages people from doing anything at all. He ought to read that great philosopher, Henry George, and understand how properly to attack the whole problem.

SNUBBED BY SIR STAFFORD

In the Second Reading Debate, May 6th, on the Finance Bill, three members made reference to the Rating and Taxation of Land Values. They were Messrs. Leslie, Hudson and Gibson. We give these extracts from their speeches:—

MR. LESLIE (Labour—Sedgefield): Everyone will agree, I think, that land was meant for use and not abuse. To-day in the vicinity of almost every town can be seen land which is lying waste. When a local authority desires land for housing or for other public purposes, a ransom price is asked despite recent legislation. An industrial population enhances the value of land. The landowner just sits tight and scoops the pool. When I was on a local authority I remember we wanted to purchase a bit of land to build a fire station. That land was rated at 50s. an acre [annual value], but when we wanted to purchase it for a public purpose the owner was paid 1,600s. an acre.

Over 300 local authorities* have asked power to place part of their rate burden on to site values. The rating of site value is far better than the block grants which have to come from national taxation. Whereas the site value comes from the people in general, it goes in all cases to the landowner. Cheaper land would mean cheaper houses. As an illustration, when Wandsworth wanted land for houses they paid £9,450 for land rated at £14 [annual value]. Woolwich wanted land for housing and paid £5,563 for land rated at £9 [annual value]. Under the Town and Country Planning Act about £300 million has to be paid in compensation, and I ask the Chancellor of the Exchequer to deal with the question of site value.

MR. JAMES HUDSON (Labour—Ealing, W.): I cannot understand why the Labour Party as a whole does not return with greater enthusiasm to the views that used to be expressed from these benches and from that Box when the late Philip Snowden was Chancellor of the Exchequer. It is interesting to note that when Philip Snowden tackled the problem of the Land Tax he was able to point out that in London—which is a very good barometer on this particular economic development in the community—in the 50 years between 1870 and 1920 land values increased from £18½ annually to £45 million. It was suggested at that time although not, I think, by Mr. Philip Snowden, that the value in 1931, when the proposal was brought before the House, had increased to £57½ million. I think it was probably more like £50 million. At any rate, since that date this process of increasing value has continued. The London County Council discovered that the value had become £60 million which, if reckoned on the basis of money values, and compared to the period of which Mr. Snowden spoke, amounted to something like £100 million or more. There is, therefore, an opportunity for the Government to adopt a type of taxation which the leaders of our party well understood 15 to 20 years ago. I am quite sure that the Government must face the question of imposing a tax on land values. I am all the more certain that I am right in pressing this matter when I recall that 300 local authorities have petitioned for the Land Tax to be re-introduced. They do not necessarily want all the revenue to go to the State, but think they should share it. No doubt some think they should have it all. There is a committee sitting at the moment to consider this question, and they will report later how far this tax could be considered by the Government in connection with local revenues. I hope that during his remaining tenure of office the Chancellor will reconsider the proposal which Mr. Snowden brought before the House, and which would have become law had it not been for the determination of Members opposite supported, I am sorry to say, by the Liberal Party, who made a temporary truce with the Opposition on this point.

MR. GIBSON (Labour—Kennington): I regret that in this Budget, as in the last, there has been no reference whatever to the worst private monopoly in this country, the land monopoly. I hope the Chancellor will give consideration to the possibility of imposing a heavy land tax before this Parliament ends. I submit, therefore, that if the Chancellor is concerned—and I know he is—about finding a new basis of taxation which cannot be transferred, which is fair, morally as well as economically, he should revive some of his old enthusiasms for the taxation of land values. There appeared in the newspapers a few days ago an illustration of the way in which private ownership of land exploits the hard labour of the community and of local authorities. The town of Littlehampton, 60 per cent. of which is owned by one company, was up for sale. In 1940 the Duke of Norfolk sold it to the Littlehampton Estates who have since taken the rents out of it, and have sat calmly by while the town council of Littlehampton and the business men and workers of Littlehampton have made it a modern, thriving seaside resort. The company put it for sale, but it was withdrawn from the market after a bid of £485,000 had been made for it. That sum is exactly 34 years' purchase of the gross rental values in Littlehampton. The whole of the increased value of that town was created not by the owner of the land—because he could not create it—but solely by the people living in and around the town, by their energy, their initiative, by the enterprise of their business men and their shopkeepers. All of this together raised consider-

* Our records are that 284 local authorities have since 1919 adopted resolutions.—Editor, LAND & LIBERTY.