

Practicable and Desirable Now?

It has become fashionable for opponents to point to the Majority Report of the Simes Committee (1952) as proof of the impracticability and undesirability of site-value rating. However, repeal of the financial provisions of the Town and Country Planning Act, 1947, which it was obliged to take into account, has invalidated the Committee's conclusions. The forthcoming publication of a White Paper on local finance makes it apposite to re-examine some of the stock arguments against site-value rating and their refutation. Accordingly we reprint, slightly condensed, the late Mr. A. W. Madsen's brilliant survey of the Simes Committee Reports.

FOUR and a half years after their appointment, in November, 1947, the Departmental Committee on Site Value Rating have produced their Reports. The terms of reference on which they proceeded with their enquiry were:

"To consider and report on the practicability and desirability of meeting local expenditure by a rate levied upon a separate assessment of site values, *having regard to the provisions of the Town and Country Planning Acts and other factors.*"

The Committee were divided in their findings. Six members comprising the Majority came to the conclusion that

"the meeting of any part of local expenditure by an additional rate on site values, having regard to the Town and Country Planning Act and other factors, is neither practicable or desirable."

Three members submitted a Minority Report which declared their conclusion to be that "the rating of site values is both practicable and desirable," that "the arguments in favour of it stand unimpaired," adding that the Town and Country Planning Act, 1947, so bore upon the matter that some changes would be involved in the method of application, not however affecting the principle.

The scope of the inquiry was limited by the injunction laid upon the Committee that no suggestion for altering the provisions of the Town and Country Planning Act was permissible. They had to take the Act for granted. They had to ascertain whether and what form of site-value rating could be fitted into the complicated set-up of a planned use of land, with its State monopoly of the right to develop, its prevention of development that has not official sanction, its development charges, its compensation to landowners for being deprived of the speculative value of their land, and its land purchase schemes. As well might a Committee have been appointed to recommend what could be done to alter the conditions under which land is held, on the strict understanding that the present laws affecting the tenure of land must remain as they are. The members of this Enquiry Committee were similarly shackled. Nor did the strait-jacket incommode the Majority; rather it gave them comfort. Time and again when the force of their own argument was driving them to admit the merits of site-value rating they found it could not apply

"because by our terms of reference we are bound to

conduct our enquiry with regard to the Town and Country Planning Act."

That ended the discussion. By the same token, neither the approaches that had heretofore been made in the land-value legislation presented to Parliament, nor any of the examples of the policy in operation in numerous countries were helpful to them.

In passing it should be said that the two chapters in the Report dealing with the British background and the operation of the policy abroad are excellently done, providing comprehensive and exact information that deserves grateful recognition. Yet this valuable testimony is rejected by the Majority who, under the cloud of the Town and Country Planning Act, satisfy themselves with this remark

"in so far as we have been impressed by the historical case for the rating of site values we are nevertheless of opinion that this historical case and the evidence from overseas is not relevant to the conditions in Great Britain today."

The enquiry was further limited in scope by an arbitrary decision of the Committee themselves. They were asked to consider whether part of the expenditures of Local Authorities could or should be met by means of a site-value rate. The reference was quite clearly to the total expenditures, obtainable as they are not only from the rates locally levied but also from the subventions paid to the Local Authorities out of the National Exchequer. The latter source of revenue has no less association with the rating of site values than the former, but neither in the Majority nor in the Minority Reports is that particular aspect of the subject touched upon. . . .

For the latest year of account the Treasury subventions had amounted to only £315,000 less than the yield from local rates. As a result local government and British democracy is being undermined while, in the final analysis, the grants-in-aid ultimately go to rest in the pockets of those who have the power and the privilege of charging rent for the use of land. The local authorities are compelled to stand like beggars on the doorsteps of the Treasury, pleading the assistance that the Treasury itself can now only tardily give. On the other hand the property market flourishes. Pressure for house room and commercial premises sends rents to forbidding levels and the impact of the Town and Country Planning Act with its development charge lends no surcease, but the

Land & Liberty

contrary. The price of agricultural land has become a standing barrier to the "small" or any man who would hope to take up farming and make a reasonably good and unbonded living thereby. . . .

The Majority report contains many fallacious arguments. It is alleged for example that the experience of other countries shows it is difficult to eliminate all improvements in the assessment of land values. . . . The implication seems to be that because the separate valuation cannot attain absolute perfection, we should stand by the old system which attempts no distinctions and deliberately taxes all improvements, the while that it exempts the value of land that is unused or under-used. The Committee confuse themselves by citing self-invented circumstances in which they think that a rate levied on land owners can be recouped from tenants in increased rents; but when they are discussing an actual rate or tax levied on the value of all land whether used or not, they are perfectly clear that the incidence "remains on the landlord." . . . They offer the objection to a site-value rate on agricultural land, that instead of stimulating production it would probably raise the price of food; and they go on to utter the astonishing remark that if it is desired to make agricultural interests contribute further to local expenditure, that could be achieved by reimposing some percentage of the normal rate on agricultural land. All pretexts now vanish. The Committee would rather see the rates levied again on buildings and improvements, on cultivation and production, the heaviest burden on the best-used land—than a revenue-yielding site-value rate, hitting no one's industry. It is one thing to let it appear that the economic rent of land must be safeguarded as landlord property, but to pose as friends of the farmers and consumers is quite another. . . .

The basic attitude of the Majority is most clearly revealed in the chapter on Scotland but the same reflections would apply also to ground rents in England and Wales: "Feu duties and ground annuals have come to be accepted as secure investments . . . and are frequently bought and sold in the market . . . anyone who had bought feu duties at full market value before the site-value rate was imposed would be seriously prejudiced"; and there is no justification for so treating this "type of investment." The murder is out. One individual has bought from another the privilege of enjoying wealth which is produced by others and is depriving them of it, and this investment is no less inviolate than any other. The public's title to the economic rent of land is made forfeit because private interests have entrenched themselves in this "form of property." And from behind that bastion there came the "witnesses from professional or property-owning associations" to impress the Committee with their contentions that a site-value rate must not be exacted from those recipients of land rent. . . .

Nevertheless the Majority threw out as a gesture, themselves indicating that it could be of little purpose, a "site-value rate" based on what they call the "existing use

value in its literal meaning"; and *literally* that is simply the present rateable value of properties (in their existing condition) which would have to be dissected so as to estimate how much is rent for land and how much is rent for building. Considering the nature of the existing rateable value assessment, that it puts a high assessment on land which is well developed, a low assessment on land poorly developed, and exempts altogether vacant land and agricultural land however valuable, it needs no exposition to show how preposterous the plan is. *Irrespective of the real value of any land*, this rate called a "site-value" rate would be determined as to its amount by the actual use or non-use of the land; it would take most where land is best used, little where buildings are antiquated or dilapidated, and *nothing* where the site is vacant, and agricultural land would be entirely exempt as heretofore. And it is not necessary to point out how fantastic it would be to attempt to ascertain the annual site value of a piece of land on the assumption that nothing else can stand on the land than the structure already there, be it any kind of shanty. But having made this gesture, having said that this is the only kind of "site-value" rate that can be contemplated in the circumstances, the Majority take up 36 pages of their Report with discussion of problems of valuation, yield of revenue, incidence, etc., applying only to the travesty they have formulated.

The Minority in their report make an independent examination of the problem that was set and they arrive at a solution whereby, in their opinion, a form of site value rating could be fitted into the framework of the Town and Country Planning Act. The Report at the same time provides an instructive restatement of the broad principles of the land-value policy for relieving houses and other buildings and improvements from the burden of local taxation and levying rates on land values. Full advantage was taken of the opportunity, by answering the objections and misapprehensions of the Majority, to deal with a number of questions such as the incidence of a site-value rate, who is to pay? whether the rate can be "passed on," the liability of the rent receiver, the question of existing contracts between landlord and tenant, the application to agricultural land, to ground rents and to the feuing system in Scotland; and so on. This general discussion lends much value to the Minority's Report but the question was what could be done in the present special circumstances to implement the land-value policy? . . . The Minority's proposal is ingenious but the idea that it could work side by side with the development charge which the Planning Act imposes when developments or changes of use do take place, is not easy to accept.

The whole matter resolves itself simply into the proof that the financial provisions of the Town and Country Planning Act, and all provisions that bear upon them, should be repealed. Right from the beginning, we have protested against that Act for all that it does to hold up or even prevent development. Its disastrous operation is recognised so universally that it surely cannot abide for very long . . .